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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1958

No. 442

HYDE CORPORATION, *Petitioner*

vs.

JAMES DONLE HUFFINES, *Respondent*

PETITION FOR WRIT OF CERTIORARI TO THE SUPREME COURT OF TEXAS

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IN THE

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OCTOBER TERM, 1958

No. .....

HYDE CORPORATION, *Petitioner*

vs.

JAMES DONLE HUFFINES, *Respondent*

PETITION FOR WRIT OF CERTIORARI TO THE SUPREME COURT OF TEXAS

TO THE HONORABLE, THE CHIEF JUSTICE AND THE ASSOCIATE JUSTICES OF THE SUPREME COURT OF THE UNITED STATES:

Petitioner, Hyde Corporation, prays that a writ of certiorari issue to review the judgment of the Supreme Court of Texas entered in the above entitled cause on the 16th day of July, 1958, at which time said court overruled petitioner's second motion for rehearing.

OPINIONS BELOW

Original opinion of Supreme Court of Texas dated March 12, 1958, attached as Appendix A. Opinion of said court on rehearing dated June 4, 1958, attached as Appendix B. Reported at 314 S.W. 2d 763, advance sheets No. 4 dated August 18, 1958. Order of said court overruling motion for rehearing dated July 16,

1958, attached as Appendix C. Opinion Court of Civil Appeals (intermediate appellate court) is attached as Appendix D, reported at 303 S.W. 2d 865.

GROUNDS ON WHICH JURISDICTION IS INVOKED

The jurisdiction of this Court to entertain the petition for certiorari is based upon *28 U.S.C., 1338(a)* and *1257(3), 28 U.S.C.A. 1338(a) and 1257(3).*

QUESTIONS PRESENTED FOR REVIEW

1. The case made by pleading, proof, special issues submitted to the jury and the judgment entered which enjoins infringement being a patent case, as distinguished from a mere patent question, has the state court ousted the exclusive jurisdiction of the federal court, the question of such jurisdiction having been timely raised and urged, in violation of petitioner's rights under Article 1338(a) of the federal statutes? 28 U.S.C. 1338(a).

2. Has petitioner, as it affirmatively asserts, been denied procedural and substantive due process and equal protection of the law under the first section of the Fourteenth Amendment to the Federal Constitution where, as here, the state courts plainly violated *Sections 15 and 19 of Article I, Section 10 of Article V of the Texas Constitution, Article 2123, V.A.C.S. of Texas 1925,* and *Texas Rules of Civil Procedure Nos. 67, 277, 279 and 301; Sections 10 and 11, Title 35, U.S.C.A.; Patent Office Rules of Practice 1.11, 1.12 and 1.13, 37 C.F.R. (Title 35, U.S.C.A. p. 652-653) (28 U.S.C.A. 1257(3)).*

CONSTITUTIONAL PROVISIONS, STATUTES, AND REGULATIONS INVOLVED

Article 1338(a) of Title 28 of the United States Code fixing original exclusive jurisdiction in the Federal Courts. Attached as Appendix E.

Rules 1.11, 1.12 and 1.13 of the Rules of the United States Patent Office. 37 C.F.R. 1.11. Title 35, p. 652, U.S.C.A. Attached as Appendix F.

Sections 10 and 11, Title 35, U.S.C.A. (Patent Laws). Attached as Appendix G.

Fourteenth Amendment, Section 1, the guarantees of which, due process and equal protection, are alleged by petitioner to have been denied to it. Attached as Appendix H.

Sections 15 and 19 of Article I of the Constitution of Texas, and *Section 10 of Article V of said Constitution.* Attached as Appendix I.

Article 2123, Texas Civil Statutes, V.A.C.S. of Texas 1925. Attached as Appendix J.

Texas Rules of Civil Procedure Nos. 67, 277, 279 and 301. Vernon's Annotated Texas Rules, Civil. Attached as Appendix K.

STATEMENT OF THE CASE

Respondent (plaintiff below) by his first amended original petition alleged that he was the inventor of a refuse compressor mechanism for vehicles which is a valuable device used for the collection of trash and garbage; that he had an application pending in the patent office for letters patent and that he is the "sole

owner of such invention and patent to issue on the same and the plans, specifications, drawings, blueprints and engineering data necessary to manufacture said device." (Tr. 2).

By a course of negotiation with petitioner he entered into a licensing agreement whereby petitioner "would manufacture, sell and distribute said device for the mutual profit" (Tr. 3) of the parties. This agreement was attached to the original petition as an exhibit, and as introduced in evidence is Exhibit No. 6 of the statement of facts. Respondent only alleged that he had a pending application for a patent, then alleged a repudiation of the agreement and set up damages. He then alleged that petitioner was continuing "to manufacture, sell and distribute said device." (Tr. 4).

Respondent prayed for (1) his damages, alleged to be $19,800.00, or alternatively $7,800.00, together with royalties (Tr. 5); (2) judgment "declaring the rights and status" of the parties "under the provisions of the license agreement" and "adjudicating ownership of said device" (Tr. 6); (3) permament injunction against petitioner "from manufacturing, selling and distributing said device, or any part thereof, or anything similar thereto" and for costs (Tr. 6).

Petitioner (defendant below) filed various special exceptions (Tr. 13-14) and general and special denials (Tr. 14-24); alleged fraud as an inducement to the execution of the agreement (Tr. 15-18); failure of consideration (Tr. 18-24); and breach of the agree-

ment by respondent (Tr. 24), and various other special defenses.

On trial of the case respondent introduced in evidence Patent No. 2750055, Exhibit No. 59, and relied thereon for right of recovery.

Up to the point of introduction of the letters patent all allegations of respondents "first amended original petition" (Tr. 2, seq.) taken together had apparently alleged breach of contract and damages only, although pleading in form a case of patent infringement. Introduction of the patent in evidence and reliance thereon definitely revealed a patent case with injunction to prevent infringement. Special Issues Nos. 2-A, 3 (Tr. 79), 4 (Tr. 80), 9 and 12 (Tr. 82), as submitted to the jury, clearly disclose that the case as plead and tried was a patent case.

Petitioner moved to dismiss for lack of jurisdiction of the state court (Tr. 32), exclusive jurisdiction having been committed to federal courts. This motion was denied (Tr. 34).

Respondent, after verdict of the jury, moved for judgment for his damages and, reciting his patent by number thereof, for permanent injunction prohibiting infringement, also for injunction to prevent use of any claim contained in original patent application (Tr. 87-88), most of which claims had been by respondent abandoned or had been by the Patent Office denied and had passed into the public domain.

Petitioner moved for judgment non obstante on the jurisdictional ground (Article 1338(a), U.S.C.) (Tr.

90); that the respondent was not entitled to injunction to protect mere claims in a patent application (not allowed or protected by the patent itself) (Tr. 90), such having passed into the public domain. This motion was denied (Tr. 92).

Before entry of judgment the trial court *wrote a letter* (Tr. 165-166) authorizing entry of judgment for respondent, it was entered (Tr. 93, et seq.) as follows: (1) damages (2) injunction "*limited to the rights* Huffines *obtained* under his original application for patent" and "to have no application to any rights which Hyde Corporation may have acquired under the Balbi patent" (Tr. 166).

The Court's *letter undertook for the first time*, there being utterly no supporting pleading, to *convert* the case from a patent case to one of "confidential relationship," the court finding (regardless of the jury) that "I am of the opinion *and find* that a confidential relationship existed between the parties which entitles," etc. (Tr. 166).

This was a jury case, a jury having been demanded, and actually tried to a jury. If the case actually involved a confidential relation it should have been plead, and moreover the finding became the gist of the case and required a jury finding.

The judgment actually entered, contrary to the trial court's letter and authorization, was: That respondent is the sole owner of Patent No. 2750055 (Tr. 94). That petitioner was manufacturing and selling said device and after quoting *all* the claims of the original patent application (Tr. 95-102) and those al-

lowed by and shown in the patent (Tr. 103-107), permanently enjoined petitioner from infringement in the following language: "from directly or indirectly manufacturing, selling, using or distributing or causing to be manufactured . . . etc . . . any device incorporating or embodying any feature made substantially in accordance with, or the equivalent of, the refuse compressor mechanism as described in the claims of the *original* patent application" (Tr. 95), all *contrary* to the trial court's *letter* (or call it his opinion if you like).

Court of Civil Appeals affirmed (Appendix D), as did the Supreme Court (Appendicies A, B and C), on the theory of a "confidential relationship" or as a so-called "trade secret" case as the Supreme Court of Texas subsequently termed it.

STAGE OF PROCEEDINGS AT WHICH FEDERAL QUESTIONS WERE RAISED

TRIAL COURT:

First Question: Motion to dismiss, want of jurisdiction before judgment in trial court (Tr. 32). Motion for judgment non obstante, court without jurisdiction of this patent case (Tr. 90). Objection to court's charge to jury (Tr. 137).

Second Question: Existence of a confidential relation was neither plead nor proof offered. Trial court refused requested special issue (Tr. 62-65). Trial court ambushed defendant with unauthorized finding of confidential relationship (Tr. 166). Unauthorized finding questioned, motion new trial (Tr. 117). First opportunity. No element of "trade secret" case plead. Failure to submit defensive issues to the jury. (Tr. 35-49 inclusive, Tr. 117-132 inclusive).

COURT OF CIVIL APPEALS:

First Question: Point No. 7 (brief p. 6). Point No. 15 (brief pp. 7-8). On motion for rehearing before Court of Civil Appeals, points VII, VIII and IX, p. 4.

Second Question: Point No. 2 (Brief p. 4). Point No. 3 (brief p. 5). Point No. 64 (brief p. 19). On motion for rehearing before Court of Civil Appeals, points XIV, XV and XVI, p. 6. All points referred to in brief and on motion for rehearing were argued and preserved. Error reference failure submit defensive issues reassigned Court of Civil Appeals, petitioner's brief, pp. 4, 5, 10-16 inclusive, 19.

SUPREME COURT OF TEXAS:

First Question: In petition for writ of error Point Seven, p. 6. On motion for rehearing point of error No. 15, p. 12.

Second Question: In petition for writ of error, points 2, 4 and 10, pp. 4, 5 and 6. On motion for rehearing, points 1, 3, 5, 6, 11, pp. 9, 10 and 11. On second motion for rehearing, assignments of error First, pp. 10-11; Fourth, p. 12; Fifth, pp. 12-13; Sixth, p. 13; Seventh, pp. 13-14; Ninth, p. 38. Failure submit defensive issues carried forward Supreme Court in petition for writ of error to Court of Civil Appeals, pp. 6 and 7; Eleventh, p. 42; Twelfth, Thirteenth and Fourteenth, pp. 45-46.

The twelfth, thirteenth and fourteenth assignments were first made in language as such before the Supreme Court of Texas, although the procedural errors leading to them had been raised over and over and no one would have dreamed that our highest Texas Court would have so flouted the Texas Constitution and the Rules of Civil Procedure which it had promulgated, so that these errors were assigned at the earliest opportunity after denial of the constitutional rights of both substantive and procedural due process and equal protection of the law—the 14th Amendment to United States Constitution. All jurisdictional and procedural errors were assigned in trial court and pursued through each appellate court.

REASONS FOR GRANTING THE WRIT

First Question

The first question with which the court is confronted is the jurisdiction of the state courts to hear this case at all, *Article 1338(a) of the United States Code (28 U.S.C.A., 1338(a))* having committed original exclusive jurisdiction of patent cases to the federal courts. Not only the holding of the state courts in this case, but also that in *G & G Fishing Tool Service case* (Tex.Civ.App. 305 S.W. 2d 673, (Sup. Ct. 317 S.W. 2d 782, Advance Sheet August 19, 1958)), seem to indicate a jealousy between our Texas state courts and the federal courts in which the state courts, knowing that patent infringement cases fall within the original exclusive jurisdiction of the federal courts, have undertaken to extend the doctrine of "trade secrets" beyond its logical limits in order to extend their own jurisdiction. In any event, it appears that that is what has happened in this case, resulting in the state courts' usurpation of jurisdiction of cases of which only the federal courts have jurisdiction.

This case started out as nothing except a suit for breach of contract and for damages, the respondent herein at the time of the filing of the suit having no patent, however respondent's first amended original petition (Tr. 2-6) was plead in form as a patent case in which respondent relied upon his patent pending application and sought damages for breach of a license agreement and injunction for infringement. Before the close of the hearing respondent introduced his letters patent No. 2750055 (Ex. 59) and relied

upon his patent. If not prior to that time, then at least immediately upon the introduction of the patent and reliance thereon, respondent having in said petition only set up his right, title and interest under the patent laws, or at least the petition having made it appear that he was claiming rights and privileges under the patent laws, which might otherwise be defeated, *the case then and there* definitely became nothing except a patent case of which state courts have no jurisdiction.

The character of a case is determined by the questions involved. *Osborn v. Bank of U. S. 9 Wheat.* 824, 6 L.Ed. 224. This rule has of course never changed. If a plaintiff sets "up some right, title or interest under the patent laws, or at least make it appear that some right or privilege will be defeated by one construction, or sustained by the opposite construction, of these laws" he has alleged a patent case arising under federal law. *Henry Pratt v. Paris Gaslight & Coke Co.*, 168 U.S. 255, 42 L.Ed. 458.

In this case respondent alleged a patent pending and on trial introduced his patent (Ex. 59) and relied upon it. He prayed for adjudication of rights, status and ownership, for damages, for infringement and injunction to prevent future infringement (Tr. 6), without using the word "infringement" it is true but such is the tenor and effect.

That it is a patent case is also clear from the fact that respondent not only prayed for but was actually awarded a permanent injunction to prevent alleged future infringement of Patent No. 2750055, the judg-

ment referring to it by number and reciting the claims therein allowed. Such relief is within the exclusive jurisdiction of the federal courts. *Section 283 of Title 35, U.S.C.A.; Title 28, Section 1338(a);* and cases too numerous to cite, and wholly unnecessary as well. Trial court even enjoined abandoned and denied claims, after reciting them (Tr. 95-102), which under all authority had clearly passed into the public domain.

It further definitely appears that the suit as brought was nothing but a patent suit involving infringement, damages and injunction for infringement, because although the trial court in undertaking to sustain and extend its jurisdiction, made an unauthorized finding (no pleading, *Tex. Rules Civil Procedure No. 301;* jury case and such finding must be by jury, *T.C.P. Rules Nos. 277-279*) of a "confidential relationship," nevertheless, there is no pleading whatsoever of the existence of a confidential relationship. Respondent's first amended original petition contains no essential allegation, in fact *it contains no allegation of the existence of a confidential relationship.* The Court of Civil Appeals sustained the judgment as entered on the theory that it was a case of confidential relationship, and subsequently the Supreme Court called the case a "trade secret" case, which would involve a confidential relationship, nevertheless a trade secret case is something else again, and respondent's first amended original petition *contains no allegations whatsoever essential and necessary* to a petition which undertakes to allege a confidential relation or a trade secret case. For such essentials see: *Ferroline Corp.*

v. General Aniline & Film Corp., 207 Fed. 2d 912 (cert. den.); *Boucher v. Wissman*, 206 S.W. 2d 101 (C.C.C., error refused Sup. Co.) on second appeal 233 S.W. 2d 413 (Sup. Ct.), no trade secret *alleged* or proved; *Newell v. Newton & Son Co.*, 104 Fed. Supp. 162. This patent case may not be turned into a "trade secret" case by mere judicial fiat.

Absent such allegations respondent must recover if at all in the right in which he sues and upon the facts alleged in his petition as the basis of that right, for he cannot recover on a right different from that asserted. *City State Bank v. Wellington Independent School District* (Sup. Ct.), 173 S.W. 2d 738; *Jennings v. Texas Farm Mortgage Co.*, 124 Tex. 593, 80 S.W. 2d 931; *Starr v. Ferguson* (Sup. Ct.), 166 S.W. 2d 130; *Hardin v. Eubank* (Ct. Civ. App.) 245 S.W. 2d 554; *McDonald's Texas Civil Practice, Section 17.27; Texas Rules Civil Procedure No. 301.*

Respondent plead and relied upon a patent pending and proved a patent No. 2750055. He must recover, if at all, on the case plead—a patent case. Respondent plead and relied upon his patent well knowing that he could not recover on the basis of a trade secret because "matters which are completely disclosed by the goods which one markets cannot be his secret." *Restatement of Law of Torts*, Vol. 4, p. 6, Sec. 757b. So far as the license agreement is concerned, it contained utterly no provisions requiring secrecy. Where there is an express agreement between the parties, as here, the law will not create one by inference. *Ferroline Corp.*, supra, and authorities there cited. Re-

spondent relied for recovery upon the patent laws for otherwise he was defeated.

Second Question

Denial of both substantive and procedural due process under the Fourteenth Amendment, Section one, looms large and strong in this case.

The question was first raised on second motion for rehearing, for who would have ever believed that our State Supreme Court would have so flouted *Sections 15 and 19 of Article I and Section 10 of Article V of our State Constitution*, each of which guaranteed specific procedural rights. And who would have ever dreamed that our Supreme Court would ignore, as if they did not exist, the very rules which they prescribed as *Rules of Civil Procedure* (Vernon's Annotated Texas Rules of Civil Procedure), specifically *Rules Nos. 67, 277, 279 and 301.* But the Supreme Court of Texas most unexpectedly did that, and the first opportunity to raise the constitutional question was on motion for rehearing. The violations of petitioner's procedural rights, hereinafter pointed out, had been raised and carefully pointed out in all the courts—trial to Supreme. Petitioner did not—in fact could not—anticipate such unforeseen action.

Denial of the said motion made denial of the constitutional rights of substantive and procedural due process complete and final. The question was raised in time. The Supreme Court actually considered the constitutional question. Transcript of Proceedings in Supreme Court of Texas, p. 3, order dated July 16, 1958,

overruling motion for rehearing on the opinion, and judgment of June 4, 1958, reciting "after due consideration." *Saunders v. Shaw*, 244 U.S. 317, 37 Sup. Ct. R. 638, 61 L.Ed. 1163. As the Court concludes in the last sentence of the opinion in *Saunders*, supra, "We do not see what more he could have done."

A state may act, in a manner proscribed by the 14th Amendment, through its different agencies, either by its legislative, executive *or judicial*. The act of the Supreme Court of Texas in denying substantive and procedural due process and equal protection of the law is the act of the state under the 14th Amendment. *Ex Parte Virginia*, 100 U.S. 339, 25 L.Ed. 676; *Home Telephone & Telegraph Co. v. Los Angeles*, 227 U.S. 278, 33 Sup. Ct. R. 312, 57 L.Ed. 510.

Substantive Due Process and Equal Protection

In this case Texas courts have, by extending the trade secret doctrine to the point of competition with the patent statutes, materially altered the substantive rights of the parties. The trial court, making an unauthorized finding (demonstrated later herein) of a confidential relationship, used the *original patent application* (not the patent) as the basis for injunction. This materially and substantially affected the rights of the parties. The original patent application was much broader than the patent. The patent contained few claims in comparison to the application. Many of the *patent application* claims were withdrawn or abandoned and are not protected by the patent.

As pointed out by several amicus curiae petitions

filed in the Supreme Court of Texas and also by petitioner, any member of the public is entitled to use the unpatented matter of the *patent application* except your petitioner who is enjoined—a direct violation of substantive rights. See dissenting opinion Judge Ruel Walker of the Supreme Court. Appendix B, p. 63.

After the patent issued respondent's entire Patent Office file is open to the public and copies of anything or everything therein may be obtained for a small fee. *U. S. Code, Title 35, Chap. 11, Section 122.* His drawings and specifications are published. *Title 35, U.S.C., Chap. 1, Sec. 10.* See also *Patent Office Rules of Practice 1.11, 1.12 and 1.13.* The decisions complained of violate petitioner's rights of substantive due process and equal protection.

Procedural Due Process and Equal Protection

From at least as far back as *Pennoyer v. Neff*, 5 Otto. 714, 24 L.Ed. 565 (572), the validity of judgments may be questioned on constitutional grounds and under the 14th Amendment both for lack of jurisdiction and that they do not accord due process and equal protection. It is there said when applied to judicial proceedings that due process means:

"They then mean a course of legal proceedings according to those established rules and principles which have been established in our system of jurisprudence for the protection and enforcement of private rights." See also *Endicott-Johnson Corp. v. Encyclopedia Press Inc.*, 266 U.S. 285 (288), 69 L.Ed. 288 (292). This rule has never been questioned.

The 14th Amendment protects individual and pri-

vate rights from state action of every kind—legislative, executive and judicial. As to judicial see: *Ex Parte Virginia*, 100 U.S. 339, 25 L.Ed. 676; *C. B. & Q. R. Co. v. Chicago*, 166 U.S. 226, 41 L.Ed. 970; *Twining v. New Jersey*, 211 U.S. 78, 53 L.Ed. 97; *Steele v. L. & N. R. Co.*, 323 U.S. 192, 89 L.Ed. 173; *Shelley v. Kraemer*, 334 U.S. 1, 92 L.Ed. 1161.

In this case Supreme Court of Texas (and lower courts) has flagrantly denied to your petitioner procedural due process and as well equal protection.

Section 19 of Article I, Constitution of Texas (Appendix J) is to the State of Texas the equivolent of the 14th Amendment. It applies directly to the procedure by which property rights are adjudicated. It, like the 14th Amendment, requires judicial proceedings to be conducted by the rules and forms established for the protection of private rights. *Steddum v. Kirby Lumber Co.*, 110 T. 513, 221 S.W. 920. It includes reasonable notice of the charge or claim against an individual, so as to advise him of the nature thereof. *State ex rel Merriman v. Ball*, 116 T. 527, 296 S.W. 1085. As a trade secret case the petition utterly failed to comply with this requirement.

For authority as to essential pleadings see pp. 12 and 13 hereof. There being no pleading (nor proof) of a confidential relationship this is a most flagrant violation of both the state and federal constitution. The trial court's finding of such relationship was a case of *ambush*. *Section 19, Article I, Texas Constitution*, is one of the established rules and principles governing a legal proceeding referred to in *Pennoyer*, supra.

If this case was a trade secret case involving a confidential relationship, a jury finding, this case having been tried to a jury upon proper demand, was absolutely required on this fact issue, it being the gist and meat of the case.

A jury finding was required because another of the established rules and principles (*Pennoyer's case*, supra) is found in *Section 15 of Article I of Texas Constitution* providing that right of trial by jury shall remain inviolate. Appendix I. But trial court *refused* such a requested special issue (petitioner's request) (Tr. 62-63, 76), and then finding no other way to give respondent a judgment *ambushed* petitioner with such a finding, regardless of pleading (and also proof) (Tr. 166). Respondent requested no such issue, obviously because he had no pleading to support it, and further, obviously because he did not deem it an issue in the case. If he thought it an issue then his failure to file trial amendment and request the issue waived it under *Rule of Civil Procedure No. 279.* Even though clearly not in the case because not plead and even though respondent clearly waived the issue and finding, the trial court, sustained by each appellate court, went overboard into the murky waters of constitutionally prohibited action and made the finding. This action is in utter disregard of that course of legal proceedings according to those established rules and principles in our system of jurisprudence for the protection and enforcement of private rights. This was denial of a jury trial, and, as especially important here, was denial of established rules, prin-

ciples and forms required in a judicial proceeding to accord procedural due process.

There was also a violation of *Section 10, Article V of Texas Constitution* which also provides for right of trial by jury (See Appendix I). *Dallas Joint Stock Land Bank v. State*, 133 S.W. 2d 827 (829), affirmed Sup. Ct. 137 S.W. 2d 993. "Before the injunction could be made perpetual under the statute in question *it is the right of the defendant to have the jury pass upon the facts*," citing *Constitution, Section 15, Art. I, and Section 10, Art. V*. Another instance of failure of Texas courts to follow rules and principles necessary to due process.

The constitutional requirement is backed up by *Article 2123, V.A.C.S. Texas 1925* (Appendix J). Where there is a fact issue, and jury is timely demanded, a party is entitled to jury trial, meaning, of course, that material fact issues must be determined by the jury. Trial by jury is deemed a fundamental safeguard to constitutional liberty. As a result it was placed in the Bill of Rights of both the state and federal constitution. Failure to allow the jury to pass upon this gist and meat of the case if it is a trade secret case, violates due process.

This is just another failure of Texas courts to allow petitioner a trial based upon established rules and principles governing a legal proceeding for protection of private rights.

But of course no case of confidential relationship or trade secret was made by the pleadings. If such case had been so made a jury finding was essential. Not

being so made the court was correct in not submitting the issue but trial court was far off-base, and acting beyond any authority he had when he made the finding of confidential relationship after refusing the special issue and without pleadings. This grievious error prevailed in all the Texas courts in this state. I hope this Honorable Court will know that I am not being disrespectful to any court when I use a colloquialism to say that in this connection all the state courts "went hog-wild."

To show still further and myriad failures of the Texas courts to follow the rules and principles in a judicial proceeding necessary to afford procedural due process we quote briefly from *Boucher v. Wissman* (C.C.A.), 206 S.W. 2d 101 (writ refused) subsequent appeal aff. Sup. Ct. 233 S.W. 2d 413), where the court said:

> ". . . In determining the adequacy of the allegations and proof, no presumption can be indulged. The complaint, upon which an injunction is granted, shall set forth in specific terms, and not inferences, the reasons for such remedies; and where, as here, the petition and the proof show conclusively that the applicant was not entitled to the order, it was an abuse of discretion as a matter of law on the part of the trial court to make the order. 24 T.J. p. 224, sec. 160; Lark et al. v. Coyle et al., Tex. Civ. App., 260 S.W. 1107; Kampman et al v. Stappenbeck et al, Tex. Civ. App., 45 S.W. 2d 76; Holbein et al. v. De Le Garza et al, 59 Tex. Civ. App. 125, 126 S.W. 42."

"The complaint . . . shall set forth in specific terms," etc. "Confidential relationship" and "trade secret" was not plead even by "inferences."

The Supreme Court of Texas has prescribed procedural rules. Among these is *Rule 301* (see Appendix K), which requires the judgment to conform to the pleadings, the nature of the case and the verdict. The judgment in this case meets none of these requirements. Confidential relationship or trade secret was not plead (Tr. 2-6). The jury made no such finding via verdict (Tr. 77-86).

This is another denial to petitioner of procedural due process and an utter disregard by Texas courts of those rules and principles prescribed by it and obviously thought by the Texas Supreme Court to be necessary to due process and the protection of private rights. But the courts ignore the rule.

Then *Rule 67* (appendix K) provides that when issues not raised by the pleadings are tried by express or implied consent, they shall be treated as if they had been raised in the pleadings. But no such issues were tried, either by express or implied consent, as is obvious from the issues submitted to the jury. Under the rules, even in such case, a duty rested upon the respondent to amend his pleadings "to cause them to conform to the evidence and to raise the issues," but this was not done, and there has been a flagrant violation of *Rule 67*. That such duty does rest upon the respondent herein is evidenced by the provision of *Rule 67* as an absolute requirement "that written pleadings before the time of submission *shall be neces-*

sary to the submission of special issues as is provided in Rule 277 and 279." No such written pleadings were filed, and of course no special issue was submitted which went to the heart of the case as the Supreme Court now construes it. No such written pleadings could have been filed to conform the pleadings to the issues raised by the evidence because *there is utterly nothing in the evidence to raise an issue of a confidential relationship.* There is flagrant violation of *Rule 67* and another resulting denial of procedural due process.

The requirement of *Rule 277* (see Appendix K) in connection with the submission of the case on special issues is that the case shall be submitted "*upon special issues raised by the written pleadings* and the evidence in the case." As we have said, there were no such written pleadings and there was no such evidence. Especially notice how *Rule 67*, *Rule 277*, and *Rule 279*, which will presently be referred to, are framed to meet the constitutional requirement. Disregard by the state courts of *Rule 277* is still another instance of denial of the rules and principles necessary to procedural due process.

The requirement of *Rule 279* (see Appendix K) is that upon the submission of special issues the court "*shall submit the controlling issues* made by the *written pleadings* and the *evidence*." What the trial court finally did, by way of ambush, in making the finding of a confidential relationship, which under the rules he had no authority to make, was to go beyond the written pleadings and outside of and beyond the evidence, long after the case was submitted to the jury

and it had returned its verdict, and make, what the Supreme Court of Texas found to be the controlling issue, a finding on his own and independent of pleadings, evidence and the jury, this being a jury trial. This being a controlling issue, according to the Supreme Court of Texas (although it is not made by the pleadings or the evidence), under *Rule 279 it was an issue which must be submitted to the jury.* The language of the rule is a mandatory "shall submit." Of course the court was wrong, but it had violated all of the other rules in the book, so what difference to it if it violated one more.

Rule 279 of the Texas Rules requires submission of defensive as well as affirmative issues—that is, the controlling issues raised by the pleadings and the evidence *of either party.* The court refused to submit practically all defensive issues (Tr. 35-49). The error was carried forward and directed to the attention of the appellate courts. Such refusal was a plain violation of the rule. This was a denial to your petitioner of both substantive and procedural due process.

It is not that we are here asking your Honorable Court to enforce constitutional provisions of the State of Texas. The provisions of that constitution here referred to are both substantive and procedural. It is the procedural aspect with which we are here concerned. Those provisions, the statute cited and the Rules of Civil Procedure prescribed by the Supreme Court of Texas delineate that course of legal proceedings established for the protection and enforcement of private rights. When such boundaries are and were

exceeded the Texas Courts ran smack afoul of the 14th Amendment, and it is as was said in *Chessman's* case, 254 U.S. 156, 77 Sup.Ct. 1127:

> "The proponent before the Court is not the petitioner, but the Constitution of the United States."

All of the rules and forms which have been established and which are "so deeply rooted in the traditions and conscience of our people," and all of the rules "which are implicit in the concept of ordered liberty," and all of the rules which have been established for regulating proceedings, and all of the rules and forms which have been established, both in the Texas Constitution and the Texas Supreme Court's Rules of Civil Procedure for the protection of private rights, civil liberties, immunities and privileges, have been violated throughout this proceeding from beginning to end, and this is a denial to petitioner of procedural due process under the 14th Amendment.

WHEREFORE, petitioner prays that this petition for writ of certiorari be granted.

Respectfully submitted,

M. WARD BAILEY
T. S. CHRISTOPHER
807 Continental Life Bldg.
Fort Worth 2, Texas

By:.....
T. S. Christopher
Attorneys for Petitioner

CERTIFICATE OF SERVICE

I, T. S. Christopher, hereby certify that a true copy of the foregoing petition for certiorari has been served upon Paul C. Cook, Thompson, Walker, Smith and Shannon, Attorneys, Continental Bank Bldg., Fort Worth, Texas, by depositing a true copy thereof in the United States mail, first class, postage paid, properly addressed to them on this 9th day of October 1958.

T. S. CHRISTOPHER

APPENDIX A

NO. A-6486

IN THE SUPREME COURT OF TEXAS

HYDE CORPORATION, Petitioner

v.

JAMES DONLE HUFFINES, Respondent

From Tarrant County Second District

This is a "trade secret" case in which the Court of Civil Appeals, after eliminating a recovery for attorneys' fees, has affirmed both a mo.. y judgment for $17,520 in favor of James Donle Huffines against Hyde Corporation and a perpetual decree of injunction restraining Hyde Corporation from manufacturing or selling any device made substantially in accordance with any feature of a garbage compressor described in Huffines' original application for a patent and the patent thereafter issued to him. Hyde Corporation v. Huffines, Tex.Civ.App., 303 S.W.2d 865.

Petitioner, Hyde Corporation, presents the case here upon eighteen assignments of error; some of which are closely related and grouped for purposes of argument. It is unnecessary to discuss these assignments or points seriatim in order to dispose of the case. When the writ was granted, we had some doubt of the propriety as to the injunctive relief granted and one of the justices of the Court of Civil Appeals was of the opinion that the injunction was erroneously issued. However, upon further consideration, we have reached the conclusion that none of petitioner's assignments point out an error in the

judgment of the Court of Civil Appeals. Such judgment will accordingly be affirmed.

Petitioner's assignments in the main present three major contentions: (a) That the pleadings, the evidence and the jury's findings do not support a recovery for Huffines upon the theory that Hyde Corporation had through violation of a confidential relationship, secured and wrongfully exploited Huffines' "trade secrets." (b) That Huffines' remedy, if any, lay in the federal courts as the suit is essentially one of patent infringement. (c) That the injunction was wrongfully issued, particularly in view of the fact that a patent had been issued to Huffines covering a part of the claims contended in his patent application.

Certain other assignments raise contentions that various portions of the jury's findings are without support in the evidence, but we find that these matters were correctly decided in the lower appellate court and hence need not be discussed here.

The statement of the Court of Civil Appeals is essentially correct. However, in view of petitioner's first major contention, we will enlarge thereon by quoting from the patent application made by Huffines and the licensing agreement executed by the contending parties.

The respondent Huffines (plaintiff below) is the director of the Sanitation Department of the City of Wichita Falls, Texas. He constructed a mechanism which compressed the trash and garbage collected by the Sanitation Department so that the garbage trucks

employed in hauling this refuse could carry substantially larger loads. He applied for a patent upon this device and in his application described it as a "Compressor Mechanism for Refuse Truck." It was stated in the application that:

> "This invention relates to improvements in garbage and trash hauling trucks and more particularly to garbage or trash hauling trucks that utilize a compressor mechanism to compress the refuse for transportation.
>
> "Various trucks of this character have been proposed heretofore, but these for the most part, were complex in construction, relatively easy to get out of order, and presented certain difficulties in loading and unloading the refuse, once it had been compressed into the carrying body of the truck.
>
> "An object of this invention is to provide a garbage truck unit wherein the compressor will compact the refuse to enable a greater load to be transported to the place of disposal.
>
> "Another object of this invention is to provide a compressor mechanism for a garbage or trash hauling truck that has a minimum of working parts to perform the compressing operation.
>
> "A still further object of the invention is to provide a compressing mechanism for a truck of the character specified that is hydraulically operated, both to compress the refuse and to elevate the body of the truck into dumping position.
>
> "Yet another object of the invention is to provide a truck body of the character specified, that is simple in construction, efficient in operation, the compressing and dumping mechanism of which is simple to operate, and which is relatively inexpensive to manufacture."

The application contained seventeen claims of novelty and invention and it conclusively appears that the mechanism was of a type that is subject to protection in equity as a trade secret. See, K & G Oil Tool and Service Co. Inc., et al v. G & G Fishing Tool Service, et al., this day decided.

It appears that E. E. Maxson, Vice President of Hyde Corporation, became interested in the device through the offices of a friend of Huffines. Maxson originally talked with Huffines about manufacturing the device for Huffines. Eventually, however, it was agreed that Hyde Corporation should manufacture and sell the device and pay a royalty to Huffines. On January 8, 1954 a licensing agreement was executed which became effective three months later, that is, on April 8, 1954.

This agreement refers to Huffins as "Licensor" and to Hyde Corporation as "Licensee." It recites the fact that Licensor had invented certain new and useful improvements in a refuse compressor mechanism for vehicles and had made application for letters patent in the United States Patent Office, bearing Serial No. 400,236 and filing date of December 24, 1953 covering such device, and that Licensee was desirous of acquiring an exclusive license to make, use and sell the said invention in the territory of the United States of America and its possessions, and in all foreign countries.

The contract then provided that:

> "The LICENSOR hereby grants to the LICENSEE, under the terms and conditions herein-

after set forth, an EXCLUSIVE LICENSE to make, use and sell said aforementioned device in accordance with said patent application, or under any patent or patents that may issue therefrom, or any application or applications filed on improvements on said device conveyed to the LICENSOR by the LICENSEE, and under any patent or patents that may issue therefrom. LICENSOR agrees to use due diligence in protecting such improvements and to continue the agreement under the present application and applications for improvements that may be filed thereon, as long as such agreements and conditions set forth herein are fulfilled. * * *

"The LICENSEE agrees to pay LICENSOR the sum of one hundred twenty dollars ($120.00) per unit, and warrants and binds itself and its assigns to produce, sell and pay LICENSOR for a minimum of one hundred (100) units the first years. * * *

"Any litigation for infringement involving said application for patent, or involving an application or applications for patent on any improvements on said device, or involving any patents that may issue therefrom, whether offensive or defensive, but not connected with any Patent Office proceedings, shall be paid for by the parties hereto in proportion to the monies received from the manufacture and sale of said devices. However, if either of the parties hereto fails to bear his proportionate part of any such litigation, as aforesaid, the other party shall have the right, upon the expiration of thirty (30) days written notice to the party in default of his intention to bear the full expense of such litigation, but the party bearing such expense shall receive in full any damages that may be collected as a

result of such litigation, otherwise monies collected as damages, or any expenses thereof, shall be shared proportionately.

"The effective date of this contract shall be the date on which the LICENSEE presents a finished pilot model of said device manufactured in accordance with the disclosure of said patent application, and when such pilot model is accepted by LICENSOR as a proper and salable article of manufacture within the scope of the claims of said application LICENSEE warrants and binds itself and its assigns to build and complete said pilot model within Ninety (90) days from date of this contract.

"The LICENSEE agrees not to question the validity of any application or applications, or any patent or patents issued as result of said application, or applications filed on improvements on said device, relative to the said REFUSE COMPRESSOR MECHANISM FOR VEHICLES.

"This agreement may be automatically renewed at the end of the first year, so long as the agreements and conditions set forth herein are being fulfilled, and the same may apply to each succeeding year for the pendency of said patent application or applications, and for the life of any patent or patents that may issue therefrom. Failure to fulfill the conditions herein set out shall be considered as terminating this contract agreement, but either party hereto who considers such conditions are not being met, shall notify the other party in writing to that effect, setting out the particular deficiencies, and the party receiving such notice shall have thirty (30) days in which to remedy such deficiencies, before the contract agreement shall become null and void.

Sixty (60) days notice to terminate this contract shall be given by LICENSEE. If more than one hundred (100) units are manufactured and sold in any one year, the additional amount so sold that year shall be credited to the amount to be sold the next ensuing year.

"The expense of the prosecution of said application or applications for patent or patents shall be at the expense of the LICENSOR, and he agrees to use due diligence in prosecuting said application or applications for patent or patents in an effort to bring same to a successful conclusion.

"LICENSEE agrees to convey to LICENSOR any improvements made by LICENSEE or its employees upon the machine involved herein, and agrees that such assignments may be made to LICENSOR or to any designated agent, at LICENSOR'S expense, and LICENSEE may use the improvement during the term of this contract, without additional royalty."

It conclusively appears that as a result of this agreement and the negotiations preceding its execution, Hyde Corporation gained full knowledge of the Huffines device not only from the application for patent but from scale models, blue prints, and actual construction of the device. On May 31, 1955, when the parties were in the second year of operation under the contract, Hyde Corporation repudiated the licensing agreement by giving the sixty-day notice provided for in the contract. However, according to the jury's findings, said defendant did not cease to manufacture the Huffines' device but on the contrary continued to produce the same substantially in accordance with the

description of the mechanism contained in Huffines' patent application.

Shortly before the trial was concluded a patent was received by Huffines and introduced in evidence. Some ten claims are listed in the patent instead of seventeen as set out in the original application. In the course of the prosecution of the patent application it appears that certain claims were cancelled by Huffines, others amended and additional ones added before the patent was finally issued.

Against this factual background Hyde Corporation contends that it cannot be held in damages or restrained in equity from further manufacturing the mechanism because they did not gain knowledge of the device through fraud, deceit or any inequitable practice.

Special Issues Nos. 1 and 2 and the jury's answers thereto bear upon this contention and are as follows:

> "Special Issue No. 1: Do you find from a preponderance of the evidence that J.D. Huffines disclosed his refuse compressor mechanism to Hyde Corporation because some officer or agent of Hyde Corporation represented to him that they were interested in manufacturing and selling said refuse compressor mechanism? Answer: Yes.
>
> "Special Issue No. 2: Do you find from a preponderance of the evidence that the defendant, Hyde Corporation, acted in good faith in acquiring knowledge of the design and novel features, if any, of the garbage disposal body in question? Answer: Yes."

Petitioner contends that there is no evidence supporting the jury's answer to Special Issue No. 1 and insists that if any issue of breach of confidence be raised by the evidence, the trial court should have submitted its requested special issue inquiring if the details, plans and specifications of Huffines' refuse compressor mechanism were disclosed by Huffines to Hyde Corporation or its representative *in confidence*.

Petitioner's arguments as to the pleadings and evidence seem to run counter to the realities of the case as fixed by the written licensing agreement. It is true that there is no explicit written covenant contained in the contract which precludes petitioner from making use of information granted as a result of contract negotiations and disclosures by Huffines *after* the cancellation of the licensing agreement. It is also true that respondent's pleadings do not use the words "in confidence" by way of stating a conclusion. The picture presented by the pleadings and the evidence both undisputed and as interpreted by the jury is that of a licensee after contracting with an inventor (in good faith according to the jury's answer to Special Issue No. 2) for the use of an invention upon which an application for patent was pending, repudiating the licensing agreement and insisting upon utilizing the device despite the fact that the secured information which enabled him to manufacture the device through the licensing agreement and the negotiations relating thereto. To say that petitioner did not gain knowledge of the device in this manner is to deny the stated pur-

pose of the licensing agreement. While in the briefs and oral argument some concern was expressed that the Court of Civil Appeals' opinion would permit unscrupulous claimants to delve into the pockets of business firms through spurious claims for compensation for the use of ideas, Matarese v. Moore-McCormack Lines, Inc., 2d Cir. 158 F.2d 631, 170 A.L.R. 440, that danger is hardly presented here. We are not called upon to consider at what period in the course of negotiations petitioner's actions may have ceased to be ethically permissible. We here have business relations culminating in a licensing agreement. The case seems to come squarely within the rule of the American Law Institute's Restatement of the Law that:

> "One who discloses or uses another's trade secrets, without a privilege to do so, is liable to the other if (a) he discovers the secret by improper means, or (b) his disclosure or use constitutes a breach of confidence reposed in him by the other in disclosing the secret to him. * * *." 4 Restatement of Torts § 757.

The jury evidently believed that at the time the licensing agreement was entered into, Hyde Corporation was acting in good faith, but thereafter decided to use respondent's device without accounting to him. If so, it might be absolved under clause (a) of the rule but would be held liable under clause (b) thereof. In the present case, the parties occupied the position of licensor and licensee. They were in a sense coadventurers. There existed between them a confidential relationship as a matter of law and there was no need to submit these incidents of legal status to a

jury for its determination. In commenting upon clause (b) of the rule above stated, it is said in the Restatement that:

> "A breach of confidence under the rule stated in this Clause may also be a breach of contract which subjects the actor to liability under the rules stated in the Restatement of Contracts. But whether or not there is a breach of contract, the rule stated in this Section subjects the actor to liability if his disclosure or use of another's trade secret is a breach of the confidence reposed in him by the other in disclosing the secret to him. The chief example of a confidential relationship under this rule is the relationship of principal and agent (see Restatement of Agency, §§ 395 and 396). Such is also the relationship between partners or other joint adventurers. But this confidence may exist also in other situations. For example, A has a trade secret which he wishes to sell with or without his business. B is a prospective purchaser. In the course of negotiations, A discloses the secret to B solely for the purpose of enabling him to appraise its value. Or, A requests a loan from B, a banker, for the purpose of aiding the manufacture of a product by A's secret process. In order to assure B about the soundness of the loan, A discloses the secret to him in confidence. In both cases B is under a duty not to disclose the secret or use it adversely to A. * * *" 4 Restatement of Torts, § 757, Comment on Clause (b) p. 13.

While there may be some distinction in the theory of recovery under clauses (a) and (b), that is whether in tort or contract, Aktiebologet Bofors v. United States Ct. of App. D.C., 194 F.2d 145, that point is

not involved here. In the area of confidential relationships between partners, employers and employees, licensors and licensees, and the like, the injured party is not required to rely upon an express agreement to hold the trade secret in confidence, Schreyer v. Casco Products Corp., 2d Cir. Ct. of App., 190 F.2d 921, Smith v. Dravo Corporation, 7th Cir. Ct. of App., 203 F.2d 369, nor should he be deprived of all relief because the offending person may have originally entered into the particular relationship unaffected by a *then existing* ulterior or improper motive.

Petitioner's contention that respondent's remedy, if any, rests in the federal courts is founded upon the premise that this is essentially a patent infringement suit. After petitioner had entered into the licensing contract with respondent, it purchased Patent No. 2487412 issued to Valentine O. Balbi covering a compressing device and instituted suit against Huffines in the United States District Court for the Northern District of Texas asserting the priority of the Balbi patent over that issued to Huffines and contending that the latter patent was invalid for a number of reasons.

We agree with the holding of the Court of Civil Appeals that this is not a "patent case", although "patent questions" may be involved herein. The gravamen of the present suit is breach of confidence. Trade secrets as distinguished from patents are subject to protection under the equitable jurisdiction of the state courts. In E.I. De Pont de Nemours Powder Co. v. Masland, 244 U.S. 100, S. Ct., 61 L. ed. 1016, Mr.

Justice Holmes stated the basis of the "trade secret" case, viz:

> "The word 'property' as applied to trademarks and trade secrets is an unanalyzed expression of certain secondary consequences of the primary fact that the law makes some rudimentary requirements of good faith. Whether the plaintiffs have any valuable secret or not the defendant knows the facts, whatever they are, through a special confidence that he accepted. The property may be denied, but the confidence cannot be. Therefore the starting point for the present matter is not property or due process of law, but that the defendant stood in confidential relations with the plaintiffs, or one of them. These have given place to hostility, and the first thing to be made sure of is that the defendant shall not fraudulently abuse the trust reposed in him. It is the usual incident of confidential relations. If there is any disadvantage in the fact that he knew the plaintiffs secrets, he must take the burden with the good."

In the later case of Becher v. Contoure Laboratories, 279 U.S. 388, S. Ct., 73 L. ed. 752, Mr. Justice Holmes in distinguishing between the patent and trade secret suits said:

> "It is not denied that the jurisdiction of the courts of the United States is exclusive in the case of suits arising under the patent laws, but it was held below that the suit in the state court did not arise under those laws. It is plain that that suit had for its cause of action the breach of contract or wrongful disregard of confidential relations, both matters independent of the patent law, and that the subject-matter of Oppenheim-

er's claim was an undisclosed invention which did not need a patent to protect it from disclosure by breach of trust. Irving Iron Works v. Kerlow Steel Flooring Co. 96 N.J. Eq. 702, 126 Atl.291; E.I. Du Pont de Nemours Powder Co. v. Masland, 244 U.S. 100, 61 L. ed. 1016, 37 Sup. Ct. Rep. 575. Oppenheimer's right was independent of and prior to any arising out of the patent law, and it seems a strange suggestion that the assertion of that right can be removed from the cognizance of the tribunals established to protect it by its opponent going into the Patent Office for a later title. It is said that to establish Oppenheimer's claim is to invalidate Becher's patent. But, even if mistakenly, the attempt was not to invalidate that patent, but to get an assignment of it, and an assignment was decreed. Suits against one who has received a patent of land to make him a trustee for the plaintiff on the ground of some paramount equity are well known. Again, even if the logical conclusion from the establishing of Oppenheimer's claim is that Becher's patent is void, that is not the effect of the judgment."

The federal courts have original jurisdiction, absent a diversity of citizenship of causes of action, which assert "a claim of unfair competition when joined with a substantial and related claim under the copyright, patent or trademark laws." 28 U.S.C.A. § 1338(b). Huffines might have maintained this character of suit in the federal court in connection with a claimed infringement of his patent, but he was not required to do so as the way to relief in the state courts was open to him. Hyde Corporation has no claim of unfair competition based upon an alleged

violation of confidence under the Balbi patent. However that may be, it seems clear that the action taken by Hyde Corporation in the federal court could not operate to abate this proceeding. The distinction between the trade secret cases and those involving the validity of or infringement of patents is pointed up by the trade secret cases tried in the federal courts because of diversity of citizenship in which the law of the state of the forum is regarded as controlling under the rule of Erie Railroad Company v. Tompkins, 304 U.S. 64, 58 S. Ct. 817, 82 L. ed. 1103, 114 A.L.R. 1487. See, Franke v. Wiltschek, 2d Cir. Ct. of Apps. 209 F.2d 493, Smith v. Dravo Corporation, 7th Cir. Ct. of Apps., 203 F.2d 369. The latter case affords an example of one cause of action for wrongful appropriation of trade secrets, controlled by the law of Illinois and the law of Pennsylvania under the Illinois doctrine of conflict of law, being joined with an action for patent infringement which is controlled by Acts of Congress. This was not a case of a claim of unfair competition joined with a related claim under the patent laws within the meaning of the federal statute. The Court characterized the trade secret cause of action as being entirely separate from that relating to a claimed patent infringement and repudiated the patent claim while recognizing the validity of the trade secret. The Court said:

> "* * * But the delver in the art was bound to know all the teachings of that art. When he attempted to improve upon the things taught by others, if he was to achieve patentable invention, he was under the necessity of doing more than merely adapting the teaching to a device as a

skilled mechanic would do. After careful consideration, we agree with the District Court that the patentee did no more than adapt what he had been taught to an improved container and that his accomplishment did not rise to the height of patentable invention as that term has been defined by the Supreme Court. * * *."

* * * *

"Plaintiffs assert that if defendant is liable for breach of confidential relations, it is estopped to plead invalidity of the patents. The decisions cited in support, we think, do not sustain the argument. The two causes of action are entirely separate; finding of guilt upon the first two counts can in no wise affect the question of validity of the patents under counts 3 and 4. In Booth v. Stutz Motor Co., 7 Cir., 56 F.2d 962, we held the patent invalid but nevertheless defendant was liable for breach of a confidential relationship. Similar was the ruling in Schreyer v. Casco Products Corp., 2 Cir., 190 F.2d 921. * * *."

Nor is it a valid objection to the decree that it anjoins the use of a process or device that has been patented subsequent to the institution of this suit. Injunctive relief is not based upon the patent but the circumstance that the petitioner gained knowledge of such device at a time prior to its being patented through an abuse of a confidential relationship. See Comment Note—"Right and remedies (independently of patent laws) of one who makes an invention or discovery, or conceives an idea or plan, as against one who utilizes it industrially or commercially, or discloses it, or threatens to do so." 170 A.L.R. 449 et seq. As above pointed out, a patent was issued upon

certain claims of Huffines contained in his original application and amendments thereto. Despite this circumstance, the Court of Civil Appeals, with one justice dissenting, awarded the respondent Huffines a perpetual injunction against Hyde Corporation restraining it from making use of any of the claims or devices contained in the original application for patent or the patent itself. This holding is in direct conflict with the holding of the Texarkana Court of Civil Appeals in G & G Fishing Tools Service v. K & G Oil Tool & Service Co., 305 S.W.2d 637 (this day reversed sub nomine, K & G Oil Tool & Service Co. v. G & G Fishing Tools Service) wherein the Court followed Conmar Products Corporation v. Universal Slide Fastner Co. 2d Cir. Ct. of App. 172 F.2d 150, in which it was held that an injunction would not issue to protect "trade secrets" against one who had obtained them through a breach of confidence *after* such trade secrets had been made public through the grant of a patent. Chief Judge Learned Hand writing for the Circuit Court of Appeals said:

> "Since the specifications of the patents in suit disclosed the first six secrets and part of the seventh, that much of the secrets upon issue of the patents fell into the public demesne; and prima facie, the defendants were free to use them. The Seventh Circuit (Shellmar Products Co. v. Allen-Qualley Co., 87 F.2d 104) and apparently the Sixth as well, (A.O. Smith Corporation v. Petroleum Iron Works Co., 74 F.2d 934) have, however, held that if before issue one has unlawfully obtained and used information which the specifications later disclose, he will not be free to continue to do after issue; his wrong deprives

him of the right which he would otherwise have had as a member of the public. We have twice refused to follow this doctrine; (Picard v. United Aircraft Corporation, 2 Cir., 128 F.2d 632; Pennington Engineering Co. v. Houde Engineering Corp., 2 Cir. 136 F.2d 210) and we adhere to our decisions. Conceivably an employer might exact from his employees a contract not to disclose the information even after the patent issued. Of what possible value such a contract could be, we find it hard to conceive; but, if an employer did exact it, others would perhaps be obliged to turn to the specifications, if they would use the information. Be that as it may, we should not so construe any secrecy contract unless the intent were put in the most inescapable terms; and the plaintiff's contract had none such. In their absence we do not see why a wrongful inducement to divulge the disclosure before issue should deprive the wrongdoer of his right to avail himself of the patentee's dedication; for, as we have just said, the contract is to be construed as imposing secrecy only until issue. The doctrine must rest upon the theory that it is a proper penalty for the original wrong to deny the wrongdoer resort to the patent; and for that we can find no support in principle."

Upon the granting of a patent upon any of the claims contained in the application, the file is no longer held in confidence by the patent office but the contents thereof become public property. Grant v. Raymond, 6 Pet. 218, 8 L.ed. 376; Sandlin v. Johnson 141 F.2d 660, A. O. Smith Corp. v. Petroleum Iron Works of Ohio, 7th Cir.ct.of App.,73 F.2d 531, 74 F.2d 934, Callman, The Law of Unfair Competition

and Trademarks (2d Ed.) § 533, Patents. Consequently, the secrets disclosed by the application and its amendments are available to all the world and the trial court's decree makes an exception of the petitioner, Hyde Corporation. It is argued that such injunction is punitive as to petitioner rather than protective to respondent.

If, as has been said in numerous cases, the equitable remedy of injunction to prevent one person from damaging another through an abuse of confidence in wrongful appropriating trade secrets is a separate remedy and incident to a different right than that secured by a patent, it would seem that injunctive protection of the trade secret as against a licensee should not necessarily cease upon the issuance of a patent. The patent may not afford the same protection as the trade secret and while, with reference to the public generally, it may be said that the inventor has elected to surrender the protection of secrecy in return for a patent, the same can hardly be said in behalf of a licensee or other person who has wrongfully used information obtained through a breach of confidence. The record here indicates that at the time of trial petitioner was tooled up and producing the refuse compressor which was the result of respondent's inventive genius or mechanical skill. Undoubtedly if an injunction were lifted upon the issuance of a patent (which may or may not afford protection for all the trade secrets contained in the original application or amendments thereto), the licensee who had abused a confidence would thus obtain a marketing advantage or head start as compared to the patentee

or any manufacturer or processor licensed by him after the issuance of the patent. An award of damages for patent infringement might well prove inadequate to fully protect the one whose confidence had been violated.

The injunction should ordinarily operate as a corrective rather than a punitive measure, but when, through inadequacies in the processes and methods of the law, a choice must be made between the possible punitive operation of the writ and the failure to provide adequate protection of a recognized legal right, the latter course seems indicated and the undoubted tendency of the law has been to recognize and enforce higher standards of commercial morality in the business world.[1] In all cases, injunctive relief extending beyond the issuance of patent may not be essential to afford adequate relief to the injured party,[2] but the disclosure attendant upon the disclosure of the patent filed should not of itself preclude such relief.[3]

We are not unmindful of the fact that cogent arguments may be marshalled upon both sides of the existing controversy which has resulted in a conflict of decisions among our own Courts of Civil Appeals, as well as the federal Circuit Courts of Appeals. We

1. For contrary view, see Kipp, Note, 36 Texas Law Review 384.

2. See, Brown & Root, Inc. v. Jaques, Tex. Civ. App., 98 S.W.2d 257, no writ history, in which the Jaques saw was duplicated by defendant for its own use but not for sale to others.

3. See discussions in both majority and dissenting opinions in Franke v. Wiltschek, 2 Cir. Ct. of App., 209 F.2d 493. In connection with this case, it should be noted that the federal court's jurisdiction was based upon a diversity of citizenship in which the law of the State of New York was involved. Conmar Products Corporation v. Universal Slide Fastener, 2 Cir. Ct. of App., 172 F.2d 150 was apparently a combination patent infringement and unfair competition case. 28 U.S.C.A. § 1338.

are, however, of the opinion that the better doctrine as well as the one supported by the weight of American authority is the rule which permits the issuance of an injunction extending beyond the date of patent, even though there be no express covenant between the parties enjoining secrecy after the issuance of a patent.

As this matter has not heretofore been passed upon by this Court we quote somewhat at length from the opinion of the Supreme Court of New Jersey in Adolph Gottscho, Inc. v. American Marking Corporation, 18 N.Y. 467, 114 Atl.2d 438, which contains numerous citations of authorities and to our minds represents the majority rule in this country and the one which should be followed by us:

The New Jersey Court said:

> "While its action was pending in the Chancery Division the United States Patent Office issued several patents to the plaintiff. These disclosed some of the plaintiff's secrets though not all nor most of them. Jackson did not learn any of the secrets from the patents; he learned them in confidence while in the plaintiff's employ and improperly disclosed and used them long before the patents were issued. He contends, nevertheless, that the patents constituted public disclosures which automatically terminated the plaintiff's pre-existing cause of action against him and the Marking Corporation to the extent that it related to secrets disclosed by the patents. Although there are decisions which suggest support for his position, we believe that reason and the weight of the authority are to the contrary. See Shellmar Products Co. v. Allen-Qualley Co., 87 F.2d 104,

109 (7 Cir., 1937), certiorari denied 301 U.S. 695, 57 S. Ct. 923, 81 L. Ed. 1350 (1937); A.O. Smith Corp. v. Petroleum Iron Works, 74 F.2d 934,935 (6 Cir., 1935); Franke v. Wiltschek, 209 F.2d 493,495 (2 Cir., 1953); Thilberg v. Bach, 107 F. Supp. 639, 642 (D.C.D.N.J., 1952), affirmed 203 F.2d 956 (3 Cir.,1953); International Industries v. Warren Petroleum Corp., 99 F. Supp. 907,913 (D.C.D.Del., 1951); McKinzie v. Cline, 197 Or. 184, 252 P.2d 564,569 (1953); Julius Hyman & Co. v. Velsicol Corp., 123 Colo. 563, 233 P.2d 977,999 (1951), certiorari denied 342 U.S. 870, 73 S. Ct. 113, 96 L. Ed. 654 (1951). But cf. Conmar Products Corp. v. Universal Slide Fastener Co., 172 F.2d 150 (2 Cir., 1949); Picard v. United Aircraft Corp., 129 F.2d 632 (2 Cir., 1942), certiorari denied 317 U.S. 651, 63 S. Ct. 46, 87 L. Ed. 524 (1942); Darsyn Laboratories v. Lenox Laboratories, 120 F. Supp. 42 (D.C.D.N.J., 1954), affirmed 217 F.2d 648 (3 Cir., 1954).

"In the Franke case the plaintiff sought an injunction and accounting from the defendants who misappropriated trade secrets which they had learned in confidence; in response to the contention that the secrets had been revealed by an expired patent, the court said [209 F.2d 495]:

> " 'Defendants argue that the heart of plaintiffs' process was revealed by an expired patent, and that the improvements thereon were unpatentable applications of mechanical skill. This totally misconceives the nature of plaintiffs' right. Plaintiffs do not assert, indeed cannot assert, a property right in their development such as would entitled them to exclusive enjoyment against the world. Theirs is not a patent, but a trade secret. The essence of their

action is not infringement, but breach of faith. It matters not that defendants could have gained their knowledge from a study of the expired patent and plaintiffs' publicly marketed product. The fact is that they did not. Instead they gained it from plaintiffs via their confidential relationship, and in so doing incurred a duty not to use it to plaintiffs' detriment. This duty they have breached.' (Citing authorities.)

"In the Hyman case the court held that disclosures in patent applications did not bar the plaintiff's action to restrain the defendants from appropriating its trade secrets; in the course of its opinion it said [123 Colo. 563,233 P.2d 999]:

" 'It is our conclusion that the composition of matter embraced in applications for United States Letters Patent Serial Nos. 581172 and 639416, 607078 and 643759 were plaintiff's trade secrets, and defendants' betrayal of these trade secrets may not be countenanced by a court of equity. Assuming that the applications for patents in Great Britain and other foreign countries amounted to a disclosure of plaintiff's trade secrets nevertheless it did not relieve the individual defendants here from their contractual and fiduciary obligation. The determinion of what, if any, rights the public may have respecting the use of plaintiff's trade secrets by reason of the application for letters patent in Great Britain or elsewhere, we will leave for decision where that question is presented.

" 'The knowledge of chlordane and the construction and equipment of the plant in which the same was manufactured—for which it had expended several hundred thousands of dollars

—were, as we have said, plaintiff's trade secrets. Any knowledge which defendants acquired respecting those secrets was obained while they were plaintiff's employees, and under a contractual obligation, as evidenced by their employment agreements, and in addition thereto this knowledge of plaintiff's trade secrets was acquired by them in confidence and while they were occupying a fiduciary relationship. They now seek to appropriate these trade secrets to their own use and profit by a violation of their contractual agreements and a betrayal of the confidence reposed in them by plaintiff. This they may not do; such conduct is abhorrent to our conception of ordinary honesty.' (Citing authorities.)

"We are not here concerned with any claim of patent infringement nor are we concerned with the rights of the public generally. Jackson learned the plaintiffs' trade secrets in confidence, and in violation of his fiduciary obligations, he disclosed and used them for purposes other than his employer's benefit. See Sun Dial Corp. v. Rideout, supra, 16 N.J., at page 259, 108 A.2d 442; Vulcan Detinning Co. v. American Can Co., 72 N.J. Eq. 387, 395, 67 A. 339, 12 L.R.A., N.S., 102 (E. & A. 1907). His conduct was grossly improper and gave rise to the plaintiffs' cause of action, based on long-settled equitable principles and supported by the marked changes in the attitude of the law towards the need for commercial morality. Sun Dial Corp. v. Rideout, supra, 16 N.J. at page 261, 108 A.2d 442; Franke v. Wiltschek, supra, 209 F.2d at page 499. Cf. 3 Restatement, Torts, 540 (1938): 'the tendency of the law, both legislative and common, has been in the direction of enforcing increasingly higher

> standards of fairness or commercial morality in trade.' We know of no persuasive reason for depriving the plaintiff of the benefits of its accrued cause of action because some of its secrets were later disclosed by the issuance of protective patents during the pendency of its action. Surely the defendants are in no just position to seek this result and the plaintiff should not be subjected to the burden and jeopardy of additional or divided proceedings to obtain the complete relief to which it is here fairly entitled as against the defaultant fiduciary Jackson and his company the American Marking Corporation."

We are of the opinion that the Court of Civil Appeals was correct in affirming the trial court's injunction. The petitioner throughout this litigation has taken the position that no injunction should issue. It has not raised an alternative contention that an injunction, if issued, should be of limited duration, such as two or three years after the issuance of patent, rather than being perpetual in nature. No proper predicate by alternative pleadings and supporting evidence was laid for limiting the effect of the injunction to a certain period of time after the issuance of the patent. We think that when a plaintiff makes out a case for injunctive relief, the duty devolves upon the opposing party to show by competent evidence that an order of less duration than a permanent order will afford the injured party adequate protection. We make this statement in deference to a suggestion contained in an amicus curiae brief filed herein and to point out that as an amicus curiae does not occupy the position of an attorney for a party and is not vested with

the management of the case, 2 Am. Jur. 682, Amicus Curiae, § 7, the authority to and the propriety of issuing the suggested type of injunctive order is not before us.

We find no assigned error in the trial court's manner of submitting the case to the jury which would necessitate a new trial, nor is a valid objection made to the method employed in assessing damages.

Petitioner's assignments of error are overruled and the judgment of the Court of Civil Appeals is affirmed.

James R. Norvell
Associate Justice

JRN:W
Opinion delivered:
March 12, 1958

APPENDIX B

NO. A-6486

IN THE SUPREME COURT OF TEXAS

HYDE CORPORATION, Petitioner

v.

JAMES DONLE HUFFINES, Respondent

From Tarrant County, Second District

MOTION FOR REHEARING

While petitioner's motion for rehearing presents nothing that was not passed upon in the original opinion, there are certain matters which may be clarified by further statement.

Petitioner seems to have some objection to the use of the term "trade secrets" in describing this case. The generally accepted difinition of a "trade secret" is that contained in the Restatement of Torts. In Extrin Foods, Inc. v. Leighton, Supreme Court, King's County, N.Y., 115 N.Y.S.2d 429, the Court said:

> "In resolving this issue the Court is first required to define the term 'secret' as applied to a formula. The term 'trade secret' is defined in the Restatement of Torts, § 757, p. 5, as follows:
>
> 'b. Definition of trade secret. A trade secret may consist of any formula, pattern, device or compilation of information which is used in one's business, and which gives him an opportunity to obtain an advantage over competitors who do not know or use it. It may be a formula for a chemical compound, a process of manufacturing, treating or preserving materials, a pattern for a machine or other device, or a list

of customers. * * * A trade secret is a process or device for continuous use in the operation of the business. Generally it relates to the production of goods, as, for example, a machine or formula for the production of an article.'

"See also Nims on Unfair Competition and Trade Marks (4th Ed.), page 403; Kaumagraph Co. v. Stampagraph Co., 235 N.Y. 1,7, 138 N.E. 485,487; Fairchild Engine & Airplane Corp. v. Cox, Sup., 50 N.Y.S.2d 643,656."

To the authorities cited, we may add the following: Sun Dial Corporation v. Rideout, 29 N.J. Super. 361, affirmed, 16 N.J. 252, 108 A.2d 442; B.F. Gladding & Co. Inc.v. Scientific Anglers, Inc. 6 Cir., 245 F.2d 722; Schreyer v. Casco Products Corp., 97 F. Supp. 159, reversed in part, 190 F.2d 921, 87 C.J.S. 413.

It appears from the record before us that Huffines had conceived and developed a device which he called a "Compressor Mechanism for Refuse Truck", and had applid for a patent thereon. The details of this device were unknown to Hyde Corporation until disclosed to its representatives during negotiations which culminated in a licensing agreement. Such details of construction were "trade secrets" belonging to Huffines, Smith v. Dravo Corp., 7th Cir., 203 F.2d 369, and were fully disclosed by his patent application, the details of which were made available to Hyde Corporation, together with blue prints, etc., long before the application was made public by the Patent Office when a patent was granted covering some of the claims contained in the original application. If these details as to construction were received by Hyde Corporation

in confidence and that company later attempted to exploit them to Huffines' injury through a breach of confidence, an action lies, and it matters not whether the suit be designated as a "trade secret" case or as a suit for breach of confidence, which is a term commonly used by Huffines in describing his claim for relief. See Becher v. Contoure Laboratories, 279 U.S. 388, 49 S. Ct. 356, 73 L. ed. 752.

We have not held as a matter of law that the relationship of licensor and licensee in itself created a confidential relationship between the parties. It is undoubtedly true, as stated in one of the briefs filed herein, that, "The existence of a confidential relationship between a Licensor and Licensee is to be determined in each case (and) it does not follow that merely because the parties occupy a position of Licensor and Licensee a confidential relationship results as a matter of law." The trial judge was evidently of the opinion that the Hyde Corporation obtained its knowledge of the device through its dealings with Huffines while the parties were attempting to work out a contract for their mutual benefit. As a result of these negotiations, they entered into an agreeable arrangement which actually had the effect of putting the Hyde Corporation into the garbage disposal body business. Viewing the picture as a whole, the conclusion was reached that a confidential relationship existed between the parties which entitled Huffines to relief by way of injunction. The picture as a whole encompa[illegible] the contract of the parties, the facts shown by th[illegible] disputed evidence as well as those established by the jury's verdict. The holding of the trial court on the point was affirmed by

the Court of Civil Appeals and also by this Court upon authority of the decisions set forth in the original opinion.

The all-important question in this litigation is whether the injunction should extend beyond the date of the issuance of patent. Upon this point there is an admitted conflict of authority. On rehearing, petitioners adopt some change of approach or emphasis in argument. The trial judge in the present case rendered an extremely detailed decree as compared with the one entered in K & G Oil Tool & Service Co., Inc., v. G & G Fishing Tool Service, ...Tex. Sup. ....., ... S.W.2d ....., which was attacked for indefiniteness of term. The descriptions of the claims in the patent application and the patent itself were incorporated in the decree, not as patent claims, but as descriptions of the features of the Huffines device which should be protected by injunction as so-called "trade secrets". While there is a suggestion that certain of these descriptions or claims may relate to matters well within the realm of public knowledge long before Huffines held any negotiations with a representative of Hyde Corporation, that is hardly the gravamen of the argument nor can it reasonably be supported by the grounds set forth in the motion for new trial filed in the trial court (even considering a "motion to amend and correct judgment" as a part of the motion for new trial), or the points urged in the Court of Civil Appeals, and the assignments contained in the original and amended applications for writ of error.

It is contended that upon the issuance of the patent,

the claims contained in the application for the patent as distinguished from the claims of the patent itself became public property. This of course is true. The effect of the injunction is to deprive Hyde Corporation of the right to do that which every other person could do, e.g., make full use of the disclosures of the claims contained in the patent application which were not carried forward and protected by the patent. This situation was recognized in the original opinion. We again encounter the conflict between Conmar Products Corporation v. Universal Slide Fastner Co., 2 Cir., 172 F.2d 150 and Adolph Gottscho, Inc. v. American Marking Corporation, 18 N.J. 467, 114 A.2d 438, and similar cases. We have chosen to follow the rule of the New Jersey case. All trade secrets are not patentable and it seems that where one has gained knowledge of trade secrets in confidence, he should not be permitted to exploit the economic advantage gained thereby to the detriment of the opposing party simply because of the public disclosure of the claims contained in the patent application. One who has obtained prior knowledge of a device in confidence may well establish a manufacturing head start, so to speak. He may not and often does not stand on the basis of economic equality with competing manufacturers or the public at large at the date of the public disclosure of the claims in the patent application. For this reason relief by way of injunction should not arbitrarily be denied because the trade secrets contained in an application for a patent have been made public. Whether an injunction should issue and if so the particular type of decree that should be rendered must, to a large degree, depend upon the

facts of each particular case. Schreyer v. Casco Products Corp., 2nd Cir., 190 F.2d 921; Franke v. Wiltchek, 2nd Cir., 209 F.2d 493.

In view of the dissenting opinion filed by Judge Jerome Frank in the latter case, we may comment on the holding thereof in some detail as the dissent raises a point similar to that suggested by amicus curias in the case now before us. Franke v. Wiltchek was strictly a trade secrets case. The federal jurisdiction was based upon a diversity of citizenship of the parties. 28 N.S.C.A. § 1332, and the law of the State of New York was applicable. It was urged that the heart of plaintiffs' process (alleged to be a trade secret) "was revealed by an expired patent, and that the improvements thereon were unpatentable applications of mechanical skill." The Court of Appeals said that,

> "* * * This totally misconceives the nature of plaintiffs' right. Plaintiffs do not assert, indeed cannot assert, a property right in their development such as would entitle them to exclusive enjoyment against the world. Theirs is not a patent, but a trade secret. The essence of their action is not infringement, but breach of faith. It matters not that defendants could have gained their knowledge from a study of the expired patent and plaintiffs' publicly marketed product. The fact is that they did not. Instead they gained it from plaintiffs via their confidential relationship, and in so doing incurred a duty not to use it to plaintiffs' detriment. This duty they have breached. Junker v. Plummer, 320 Mass. 76, 67 N.E.2d 667, 165 A.L.R. 1449, citing 4 Restatement, Torts § 757 and comment a (1939); Peabody v. Norfolk, 98 Mass. 452; Vulcan Detinning Co. v. American

Can Co., 72 N.J.Eq. 387, 67 A. 339, 12 L.R.A.N.S., 102; Tabor v. Hoffman, 118 N.Y. 30, 23 N.E. 12, 16 Am.St.Rep. 740; Spiselman v. Rabinowitz, 270 App. Div. 548, 61 N.Y.S.2d 138, appeal denied 270 App. Div. 921, 62 N.Y.S.2d 608; Extrin Foods, Inc. v. Leighton, 202 Misc. 592, 115 N.Y.S.2d 429. See also Smith v. Dravo Corp., supra, 7 Cir., 203 F.2d 369; Schreyer v. Casco Products Corp., 2 Cir., 190 F.2d 921, certiorari denied 342 U.S. 913, 72 S. Ct. 360, 96 L.Ed. 683; 4 Restatement, Torts § 757 and comment a (1939); Nims, The Law of Unfair Competition and Trade-Marks §§ 141,143a, 148 (4th Ed. 1947); Note, Protection and Use of Trade Secrets, 64 Harv. L.Rev. 976, 979, 982; cases collected in annotated note 170 A.L.R. 449, 488-490."

The Court divided upon the propriety of awarding injunctive relief. The majority in an opinion by Judge Clark upheld the action of the district judge in granting a perpetual injunction. It was said:

"It would appear, therefore, that New York law governs on this point. But the question remains largely academic; for the only way in which New York law seems a tall unique is in the number and force of the pertinent decisions. The leading case not only for that jurisdiction, but—in view of its extensive citation—for the country, is still Tabor v. Hoffman, supra, 118 N.Y. 30, 37, 23 N.E. 12, 13, 16 Am. St.Rep. 740, where the court held a plaintiff 'entitled to the preventive remedies of the court,' without respect to whether 'one secret can be discovered more easily than another' or that a defendant's resort to the secret 'was more of a convenience than a necessity.' That decision is particularly in point because there defendant's

counsel and a dissenting opinion took special exception to the grant of an injunction, as distinguished from the award of damages at law. See 118 N.Y. 30, 32, 33, 38, 23 N.E. 12. Among recent cases which follow and apply it the following may be cited: Spiselman v. Rabinowitz, supra, 270 App. Div. 548, 61 N.Y.S.2d 138, appeal denied 270 App. Div. 921, 62 N.Y.S.2d 608; Baltimore Pub. Co. v. Grayson Pub. Corp., 272 App. Div. 504, 71 N.Y.S.2d 337; Petnel v. American Tel. & Tel. Co., 280 App. Div. 706, 117 N.Y.S.2d 294, 295; Sachs v. Cluett, Peabody & Co., 177 Misc. 695, 31 N.Y.S.2d 718, per Shientag, J.; Smith v. Dravo Corp., supra, 7 Cir., 203 F.2d 369; Schreyer v. Casco Products Corp., D.C. Conn., 97 F.Supp. 159, 168, affirmed on this issue, 2 Cir., 190 F.2d 921, certiorari denied 342 U.S. 913, 72 S.Ct. 360, 96 L.Ed. 683; International Industries, Inc. v. Warren Petroleum Corp., D.C. Del., 99 F. Supp. 907, 914; Schavoir v. American Rebonded Leather Co., 104 Conn. 472, 133 A. 582, 583; and see also Nims, The Law of Unfair Competition and Trade-Marks §§ 141, 143a, 148 (4th Ed. 1947); Note, Protection and Use of Trade Secrets, 64 Harv. L.Rev. 976, 982. Thus apt in its facts and citation of authorities is the late case of Extrin Foods, Inc. v. Leighton, supra, 202 Misc. 592, 115 N.Y.S.2d 429, where Justice Hart enjoined the use of a discoverable formula for the preparation of certain flavoring products and ordered an accounting of profits.

"As the several cases cited earlier in this opinion show, there is nothing singular in this aspect of New York law. In citing a multitude of cases to the point that an inventor or discoverer 'will ordinarily be granted an injunction' against use of a formula or trade secret, the editors of a lengthy annotation of cases in 170 A.L.R. 449,

488-490, say that in fact 'most of the cases are injunction cases' and cite only two insignificant or inapposite cases to the contrary. See to like effect Spiselman v. Rabinowitz, supra, 270 App. Div. 548, 61 N.Y.S.2d 138, appeal denied 270 App. Div. 921, 62 N.Y.S.2d 608. We have found no case authority to throw doubt on this law. So, indeed, if a search be made for 'federal law' so-called, the result must be the same on existing authorities, as we have pointed out above; see, for example, the discussion below and in our court in Schreyer v. Casco Products Corp., supra."

While Judge Frank was of the opinion that an award of damages would do complete justice under the facts of the case, his argument raises the question of an injunction of limited duration. In the dissenting opinion reference was made to a differentiation as to remedies suggested in the Restatement of the Law of Torts. In support of such differentiation, Judge Frank submitted the following argument:

"* * * (a) The harm done by a defendant's breach of a plaintiff's confidence is the use of the secret to the plaintiff's 'loss' or 'detriment.' (b) By defendant's wrong he deprives plaintiff of a trade secret defined as something which gives plaintiff 'an opportunity to obtain an advantage over competitors.' (c) Where the device or process consists of a 'novel invention,' the plaintiff may have chosen not to patent it—which would limit the period of his monopoly—but to keep the invention to himself with the expectation that no one, except those in his confidence, will discover the secret, so that his monopoly will endure for an unlimited time. If the defendant comes to know the secret of such an invention by improper means his use of this

knowledge will cause a loss to plaintiff for an indefinite future period during which plaintiff will lose his 'opportunity to obtain an advantage over competitors.' Wherefore a perpetual injunction affords a proper protection—a protection as enduring as the monopoly grounded on the secret invention. (d) But where the secret involves only a slight, non-patentable and easily-discoverable improvement, competitors will soon, in all probability, legitimately learn how to contrive this improvement. Consequently, defendant's wrong has caused a loss of plaintiff's 'advantage over competitors' which, at most, would not have lasted long. Perpetually to enjoin defendant in such circumstances would be to harm him without regard to the loss or detriment suffered by plaintiff.

"In short, such an injunction—continued beyond the time when, in all likelihood, the trade, by legitimate means will catch up with the plaintiff—is sheer punishment, nothing else. * * *

"The historic injunctive process was designed to deter, not to punish. The essence of equity jurisdiction has been the power of the Chancellor to do equity and to mould each decree to the necessities of the particular case. Flexibility rather than rigidity has distinguished it. * * *

By way of illustration of the Frank argument, it might be said that the "secrets" of the magnetic fishing tool involved in K & G Tool & Service Co., Inc. v. G & G Fishing Tool Service, ...S.W.2d..... may be more readily ascertained from the publicized patent application or from a legitimate examination of the tool itself than could the "secrets" of the "Compressor Mechanism for Refuse Truck" here involved. If so, a fair competitive balance could be attained by a re-

straint of lesser duration in one case than in the other. Of course, as is indeed probable, the matter may be academic. With the loss of the trade advantage, the duration of the restraint may be wholly immaterial to a defendant. However that may be, as pointed out in the original opinion, the question of an injunction of limited duration is not before us. The issuance of a perpetual injunction is a common remedy afforded in trade secret cases. The authorities cited by the majority in Franke v. Wiltchek cannot be lightly brushed aside. Nor are we disposed to destroy "the carefully built law of trade secrets", so that as a practical matter "such businesss assets (may) be left open to highjacking from all sides." The trial judge upon proper findings has correctly determined that this is a case for injunctive relief. He has ordered that the usual equitable order issue, e.g. the perpetual injunction. It would seem to follow that if an injunction of limited duration be substituted therefor as suggested by Judge Frank's argument, an abuse of discretion in issuing the perpetual injunction would have to be shown. Franke v. Wiltchek, 209 F.2d 493, 1.c. 499. No such showing was made in this case. As heretofore stated, the question of a limited duration injunction as opposed to a perpetual injunction is not raised by a party hereto. The matter is not before us.

Petitioner's motion for rehearing is overruled.

JRN:W

James R. Norvell
Associate Justice

Opinion delivered.
June 4, 1958

No. A-6486

IN THE SUPREME COURT OF TEXAS

HYDE CORPORATION, Petitioner

v.

JAMES DONLE HUFFINES, Respondent

From Tarrant County, Second District

DISSENTING OPINION

After further consideration, I have concluded that our decision in this case is unsound. Since the entire patent file becomes public property when the patent issues, the information contained therein can no longer constitute a trade secret. When the parties made their license agreement, respondent had filed his original patent application containing seventeen separate and distinct claims of novelty and invention. Thirteen of these claims were rejected by the Patent Office because of lack of invention or conflicts with prior patents and were cancelled by respondent in subsequent amendments to his application. While the patent as issued lists ten claims, these embody only four of those which were listed in the original application with some additions and refinements mentioned in additional claims asserted in the amended applications.

The entire world now has access to the file and is free to manufacture and sell devices incorporating the features of the thirteen rejected and cancelled claims except as the same may be protected by other patents, but petitioner has been perpetually enjoined from doing so. The net result is that petitioner is prevented from ever hereafter doing that which everyone else is free

to do. Since respondent can be adequately protected by damages or by an injunction of limited duration, the trial court's judgment is clearly more punitive than remedial.

This action cannot be justified by saying that a patent may not afford the same protection as a trade secret or that an award for damages for patent infringement may not fully protect respondent. Respondent testified that his patent application was made as broad as possible, because the Patent Office would "kick back" all he couldn't use. Although it was thus contemplated that some of the claims might be rejected and have no protection either from the patent or as trade secrets after the patent issued, the contract does not bind petitioner never to use any of the information disclosed to it. By applying for and accepting his patent, respondent elected to look to it for protection and broadcast his secrets to the world. He chose disclosure and patent protection in preference to a trade secret. The narrow question is whether under all these circumstances petitioner is under a legal duty never to use any of the information obtained from respondent, and in my opinion it is not.

Our original opinion apparently recognizes that the trial courts judgment goes too far. It suggests that respondent might have been entitled only to an injunction of limited duration if petitioner had laid a proper predicate by alternative pleadings and supporting evidence showing that the same would afford respondent adequate protection. This does not comport with my idea of the burden resting upon the moving

party in an equitable proceeding. It should not be said that he can simply establish his right to some sort of relief and then be granted much more than is actually required for his protection unless the defendant proves that he is entitled to less.

While petitioner does not here argue that the injunction should have been limited to a period of years, it has vigorously contended from the beginning that the permanent injunction should not have been granted and that the rule of Conmar Products Corporation v. Universal Slide Fastener Co., 2nd Cir., 172 F.2d 150, should be applied in this case. It is my opinion that the burden was upon respondent to establish his right to the relief granted, i. e., a perpetual injunction. This he has not done. In a case where there are no pleadings or evidence justifying the issuance of an injunction of limited duration, we should follow the rule of the Conmar case and deny injunctive relief after the trade secrets have been made public through the issuance of a patent. See 36 Tex. Law Rev. 384.

I would reverse and render the judgments of the courts below in so far as petitioner has been permanently enjoined from manufacturing or selling any device embodying features described in the original patent application which were not carried forward and reserved in the patent.

RCW:A

Ruel C. Walker
Associate Justice

Opinion delivered:
June 4, 19[illegible]

APPENDIX C

July 16, 1958.

No. A-6486

HYDE CORPORATION

vs.

JAMES DONLE HUFFINES

From Tarrant County Second District

This day came on to be heard petitioner's motion for rehearing, on the opinion and judgment of June 4, 1958, in the above numbered and styled cause, and, after due consideration, it is ordered that said motion be, and hereby is, overruled.

APPENDIX D

No. 15813

IN THE COURT OF CIVIL APPEALS FOR THE SECOND SUPREME JUDICIAL DISTRICT OF TEXAS

HYDE CORPORATION, Appellant

vs.

JAMES DONLE HUFFINES, Appellee

From the District Court of Tarrant County

OPINION

Appellant Hyde Corporation appeals from a judgment for appellee James Donle Huffines for $17,520.00 for royalties on the sale of refuse compressor mechanisms, for $3,000.00 for attorney's fees, and for a permanent injunction restraining appellant from manufacturing or selling any device made substantially

in accordance with any feature of a refuse compressor mechanism as described in an original patent application made by appellee, and in a patent.

Appellee alleged that he was the designer and inventor of a refuse compressor mechanism, which was a valuable device for vehicles used in the collection of trash and garbage; that on December 24, 1953, he filed an application in the United States Patent Office for letters patent on such device, and that patent was pending on said invention; that he was the sole owner of the invention, and the patent to issue on same, together with the plans, specifications, drawings, blueprints, and engineering data necessary to manufacture such device.

Appellee further alleged that appellant requested him to enter into a license agreement whereby appellant would have an exclusive license to manufacture and sell said device; that such license agreement was made and that appellee furnished appellant with the plans, specifications, engineering data, and technical assistance necessary to manufacture the same; that it was agreed that appellant would pay appellee a royalty of $120.00 per unit, and not less than $12,000.00 per year; that said agreement became effective April 8, 1954, and that appellant manufactured and sold the units until about May 31, 1955, when it notified appellee that it was canceling the contract.

Appellee further alleged that after the attempted cancellation of the license agreement by appellant, appellant continued to manufacture and sell said device and refused and still refuses to recognize the rights

and ownership of appellee; that since May 31, 1955, appellant has manufactured and sold at least twenty-five of the units, and threatens to continue to manufacture and sell them without paying the royalty stipulated by the license agreement. He prayed for a judgment for the alleged royalties and for a permanent injunction restraining appellee from manufacturing and selling the device.

Appellant denied that appellee designed or invented any new or useful improvement in refuse compressor mechanisms, and that the principles and mechanics embodied in the mechanism which appellee alleged he invented were first conceived and designed by others, who, long prior to appellee's application for patent, had obtained patents on all the features which appellee claims he invented. Appellant further alleged that it was fraudulently induced to enter into the license agreement because it relied upon appellee's representations that he was the inventor of the mechanisms which appellant proposed to manufacture, and in truth and in fact appellee was not such inventor. It denied that it was manufacturing the device claimed to have been invented by appellee, but that appellant had purchased the patent rights of another inventor, which patent rights had been granted long prior to appellee's application for a patent, and that the device which appellant is now manufacturing is made in accordance with the features patented to said other inventor and that appellant is not using the features claimed to have been invented by appellee.

The jury found that: appellee disclosed his mecha-

nism to appellant because appellant represented to him that it was interested in manufacturing and selling the device; appellant acted in good faith in acquiring knowledge of the device and features of the device in question; the mechanism embodied new and novel features of invention which had not theretofore been applied; the device now being manufactured by appellant is substantially in accordance with, or the equivalent of, the mechanism described in appellee's original patent application, and in appellee's patent issued on June 12, 1956; appellee prosecuted his application for patent with due diligence; the mechanism described in appellee's application for patent was not faulty or worthless for the use for which it was intended; it was the intention of the parties that $12,000.00 would be the minimum royalty per year; the representations made by appellee and his agent, prior to the execution of the license agreement, that appellee was the sole inventor and designer of the mechanism were true; neither appellee nor his agent, prior to the execution of the agreement, warranted that a patent would forthwith issue on the mechanism; $120.00 per unit was a reasonable royalty; a reasonable fee for appellee's attorney would be $3,000.00.

Appellant seeks a reversal on sixty-five points, most of which are grouped. Primarily, the points involve the action of the court in restraining appellant from manufacturing or selling any device embodying any feature substantially in accordance with, or equivalent to, any feature of the mechanism described in appellee's original patent application as well as those described in the patent which was issued; in granting judgment

for royalties on units manufactured and sold by appellant after the attempted cancellation of the license agreement; the alleged failure of the court to properly charge the jury; the failure to enter the proper judgment on the verdict; and in allowing attorney's fees.

We have carefully considered all the evidence and think it is sufficient to support the findings of the jury, with the exception of the matter of attorney's fees.

The following was shown without dispute: appellee built a refuse compressor mechanism to be used primarily in the collection of trash and garbage; he applied for a patent on the device; appellant learned of the existence of the device, and its vice-president Maxson went from its office in Fort Worth to Wichita Falls for the purpose of examining the mechanism with the view of obtaining for appellant a license agreement for manufacturing the device; appellee explained to Maxson the features of his mechanism and displayed the device mounted on a truck, and demonstrated its operation; Maxson made four or five trips to Wichita Falls to discuss with appellee the matter of a contract; appellant's chief engineer went to Wichita Falls and made sketches, measurements, and a detailed examination of the mechanism; an exclusive license agreement was prepared by appellee's attorney and was brought by Maxson to Fort Worth for consideration by appellant; it was redrafted by appellant's attorney and executed by appellant and appellee on January 8, 1954, to become effective on April 8, 1954.

The agreement provided that: appellant would manufacture and sell the units and pay appellee a royalty

of $120.00 per unit, with a minimum royalty of $12,000.00 per year; the agreement might be automatically renewed at the end of the first year, so long as its conditions were being fulfilled, and such renewal provision applied to each succeeding year during the pendency of the patent application and during the life of any patent that might issue therefrom; failure to perform the conditions of the agreement after thirty days notice to the defaulting party would cause the same to become null and void; sixty days notice to terminate the contract should be given by appellant; appellee at his own expense was to prosecute his patent application with due diligence, and was to protect improvements that might be made on the mechanism; appellee would retain any trade-mark as his own property; appellant having the use thereof during the life of the contract; and appellant agreed not to question the validity of any application for patent or any patent issued on the device or any improvements thereon.

Appellee testified that the units which appellant continued to manufacture and sell after the termination of the agreement were substantially in accordance with the features disclosed in the patent application and in the patent finally issued thereon. This testimony was in considerable detail and was corroborated to a large extent by the witness Schley. Appellee further testified that he was the inventor of the mechanism and the owner of the invention, and that it contained new, novel, and useful features which had not been theretofore applied; that he came to Fort Worth and assisted appellant in beginning the manufacture of the units, furnishing technical advice and aid; and that

he furnished appellant with drawings, plans, and specifications of the mechanism. There was evidence by appellant's witnesses that before the termination of the license agreement it had abandoned substantially all of appellee's claimed novel features, and was not incorporating them in the mechanisms now being manufactured and sold. This was a jury issue, and we are bound by the jury's finding.

Appellant contends that as there was no express agreement that the disclosures made by appellee to appellant during and after the negotiations for the contract were made in confidence, and since the jury found that appellant "acted in good faith" in acquiring knowledge from appellee of the mechanism, appellee was not entitled to an injunction restraining appellant from making a device substantially embodying the features of appellee's mechanism, and was not entitled to any royalties for bodies manufactured and sold by appellant after the contract was terminated. We cannot agree with this contention.

If the disclosures were made because appellant represented to appellee that it was interested in a contract to manufacture and sell the device, there need be no express stipulation that they were made "in confidence" in order to subject appellant to damages and an injunction if it used the features of the device so disclosed to it. Allen-Qualley Co. v. Shellmar Products Co., 31 Fed. 2d 293; Shellmar Products Co. v. Allen-Qualley Co., 36 Fed. 2d 623; Saco-Lowell Shops v. Reynolds, 141 Fed. 2d 587; Smith v. Dravo Corp. 203 Fed. 2d 369; Hoeltke v. C. M. Kemp Mfg. Co., 80 Fed.

2d 912; E. I. Du Pont De Nemours Powder Co. v. Masland, 244 U. S. 100; E. L. Bruce Co. v. Bradley Lumber Co. of Arkansas, 79 Fed. Supp. 176; International Industries, Inc. v. Warren Petroleum Corp., 99 Fed. Supp. 907; Sbicca-Del Mac, Inc. v. Milius Shoe Co., 145 Fd. 2d 389; Booth v. Stutz Motor Car Co. of America, Inc., 56 Fed. 2d 962; A. O. Smith Corporation v. Petroleum Iron Works Co. of Ohio, 73 Fed. 2d 531; Vann v. Toby, 260 S. W. 2d 114; 20 R. C. L. 1163; Glass v. Kottwitz, 297 S. W. 573, writ refused.

In Allen-Qualley Co. v. Shellmar Products Co., 31 Fed. 2d 293, the court said: "It is well established that equity will enjoin the use and disclosure of trade secrets, such as processes, formulae, and inventions learned in confidence . . ., It is apparent that it is immaterial in exercising this particular jurisdiction of equity, so far as the immediate parties are concerned, whether there is a valid patent owned by plaintiff or not. The basis for the jurisdiction is that the inventor is not required to apply for a patent, but is entitled to a protection of his process and device against a publication thereof and the misuse thereof by one who is guilty of a violation of trust and confidence."

The license agreement provided that its effective date would be the date on which appellant should furnish a pilot model of the device made "in accordance with the disclosure of said patent application, and when such pilot model is accepted by LICENSOR as a proper and salable article of manufacture within the scope of the claims of said application," and appellant says that

such model had not been furnished by it, and that no such model had been accepted by appellee. Some kind of a model was furnished, and it was accepted by appellee by letter dated March 26, 1954. Appellant must have considered the contract in effect, because it began the manufacture and sale of the mechanism and began paying the royalties to appellee as stipulated in the agreement. If there was not a strict compliance with this requirement, it appears to have been waived.

While several of the claims in appellee's application for a patent were rejected, a patent was finally issued and was received by appellee during the progress of the trial. Appellee and his attorney testified as to their work in prosecuting the application, and the delays they experienced. There is no indication in the evidence that they were lacking in good faith efforts; and the jury was warranted in finding that the application was prosecuted with due diligence.

Although there was evidence to support appellant's contention that the device was not workable and was practically useless as a refuse compressor, there was evidence to the contrary. Without setting it out, we hold that it was sufficient to support the finding that the device was not faulty or worthless for the use for which it was intended.

What we have already said sufficiently disposes of appellant's point that appellee was not entitled to recover royalties on the units it manufactured and sold after the termination of the license agreement. Under the authorities heretofore cited, we think appellant could not continue to use appellee's device or its essen-

tial features after the contract was terminated without paying damages, and the stipulated royalties under the contract could serve as the measure of appellee's recovery. Saco-Lowell Shops v. Reynolds, 141 Fed. 2d 587; Sbicca-Del Mac, Inc. v. Milius Shoe Co., 145 Fed. 2d 389.

Another point for reversal is that the trial court was without jurisdiction to grant injunctive relief because after the patent was introduced in evidence that part of the suit related to the construction of such patent and matters relating to the infringement thereof, and that such jurisdiction is exclusively in the Federal courts.

We do not think that this is a "patent case." There is a distinction between a patent case and a case where patent "questions" have arisen. State courts have jurisdiction to determine patent "questions" which arise in the course of a trial properly maintainable in the state court. Becher v. Contoure Laboratories, Inc., 279 U. S. 388; Pratt v. Paris Gas Light & Coke Co., 168 U. S. 255; H. J. Heinz Co. v. Owens, 189 Fed. 2d 505; H. J. Heinz Co. v. Superior Court in and for Alameda County, 266 Pac. 2d 5; Luckett v. Delpark, Inc., 270 U. S. 496; Sbicca-Del Mac, Inc. v. Milius Shoe Co., 145 Fed. 2d 389. This point is overruled.

We sustain appellant's contention that attorney's fees are not recoverable in this case. Appellee cites Title 35, U. S. C. A., "Remedies for Infringement of Patents, and other Actions," sec. 285, wherein it is provided that in exceptional cases the court may allow

attorney's fees. Appellee's argument is that generally a state court may grant relief authorized by Federal statute unless that power is forbidden by Congress. The legislation permitting an award of attorney's fees in "exceptional cases" is confined to patent litigation. As we have already pointed out, the case at bar is not a patent case. Since under the statutes of this state no attorney's fees are recoverable in such a case as this, we cannot extend the Federal statute applying to patent cases to cover the case at bar. For comments on the history and applicability of said section 285, see Associated Plastics Companies, Inc. v. Gits Molding Corp., 182 Fed. 2d 1000; Juniper Mills, Inc. v. J. W. Landenberger & Co., 6 F. R. D. 463; Pennsylvania Crusher Co. v. Bethlehem Steel Co., 193 Fed. 2d 445. Moreover, there was no finding of facts showing this to be an exceptional case. Appellant objected to the charge because such issues were omitted, and tendered proper issues on that point. Even if the statute is applicable here, we think the factual basis is lacking in the verdict. Laufenberg, Inc. v. Goldblatt Bros., Inc., 187 Fed. 2d 823; Park-In Theatres, Inc. v. Perkins, 190 Fed. 2d 137.

We do not extend an already lengthy opinion to discuss severally the other points of error; but we have considered them all and do not believe that reversible error is shown.

The judgment is reformed to eliminate the $3,000.00 recovery for attorney's fees; and, as reformed, the judgment is affirmed.

The costs of the appeal are adjudged one-half to appellant and one-half to appellee.

Reformed and affirmed.

Ben W. Boyd
Associate Justice

Renfro, A. J., concurs in part
and dissents in part.
May 31, 1957

No. 15813

IN THE COURT OF CIVIL APPEALS FOR THE SECOND SUPREME JUDICIAL DISTRICT OF TEXAS

HYDE CORPORATION, Appellant

v.

JAMES DONLE HUFFINES, Appellee

From the District Court of Tarrant County

OPINION

CONCURRING IN PART AND DISSENTING IN PART

I concur with the majority in reversing and rendering that part of the judgment which allowed appellee $3,000.00 attorney's fees.

I would also reverse and render that part of the judgment which permanently enjoins appellant from manufacturing or selling any device embodying any feature substantially in accordance with, or equivalent to, any feature of the mechanism described in appellee's original patent application.

May 31, 1957

Thomas J. Renfro
Associate Justice

May 31, 1957

APPENDIX E

U.S.C.A., Art. 1338(a)

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, copyrights and trademarks. Such jurisdiction shall be exclusive of the courts of the states in patent and copyright cases.

APPENDIX F

U.S.C.A., Art. 1.11 Patent files open to the public

After a patent has been issued, the specification, drawings, and all papers relating to the case in the file of the patent are open to inspection by the general public, and copies may be furnished upon paying the fee therefor. The file of any terminated interference involving a patent, or an application on which a patent has subsequently issued, is similarly open to public inspection and procurement of copies.

APPENDIX G

Unitd States Code Annotated, Title 35

Section 10. Certified copies of records

The Commissioner may furnish certified copies of specifications and drawings of patents issued by the Patent Office, and of other records available either to the public or to the person applying therefor.

Section 11. Publications

(a) The Commissioner may print, or cause to be printed, the following:

1. Patents, including specifications and drawings, together with copies of the same. The Patent Office may print the headings of the drawings for Patents for the purpose of photolithography.

2. Certificates of trade-mark registrations, including statements and drawings, together with copies of the same.

3. The Official Gazette of the United States Patent Office.

4. Annual indexes of patents and patentees, and of trade-marks and registrants.

5. Annual volumes of decisions in patent and trade-mark cases.

6. Pamphlet copies of the patent laws and rules of practice, laws and rules relating to trade-marks, and circulars or other publications relating to the business of the Office.

(b) The Commissioner may exchange any of the publications specified in items 3, 4, 5, and 6 of subsection (a) of this section for publications desirable for the use of the Patent Office.

APPENDIX H

Constitution of the United States, Amendment XIV, Section 1

Section 1. All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws.

APPENDIX I

Constitution of Texas, Article 1, Section 15. Right of trial by jury

Sec. 15. The right of trial by jury shall remain inviolate. The Legislature shall pass such laws as may be needed to regulate the same, and to maintain its purity and efficiency. Provided, that the Legislature may provide for the temporary commitment, for observation and/or treatment, of mentally ill persons not charged with a criminal offense, for a period of time not to exceed ninety (90) days, by order of the County Court without the necessity of a trial by jury.

Constitution of Texas, Article 1, Section 19. Deprivation of life, liberty, etc.; due course of law

Sec. 19. No citizen of this State shall be deprived

of life, liberty, property, privileges or immunities, or in any manner disfranchized, except by the due course of the law of the land.

Constitution of Texas, Article 5, Section 10.

Trial by jury

Sec. 10. In the trial of all causes in the District Courts, the plaintiff or defendant shall, upon application made in open court, have the right of trial by jury; but no jury shall be empaneled in any civil case unless demanded by a party to the case, and a jury fee be paid by the party demanding a jury, for such sum, and with such exceptions as may be prescribed by the Legislature.

APPENDIX J

Article 2123, Revised Civil Statutes of Texas.

Right to jury

The right to trial by jury shall remain inviolate, subject to the following rules and regulations.

APPENDIX K

Texas Rules of Civil Procedure

Rule 67. Amendments to Conform to Issues Tried Without Objection

When issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings. In such case such amend-

ment of the pleadings as may be necessary to cause them to conform to the evidence and to raise these issues may be made by leave of court upon motion of any party at any time up to the submission of the case to the Court or jury, but failure so to amend shall not affect the result of the trial of these issues; provided that written pleadings, before the time of submission, shall be necessary to the submission of special issues, as is provided in Rules 277 and 279.

Rule 277. Special Issues.

In all jury cases the court may submit said cause upon special issues without request of either party, and, upon request of either party, shall submit the cause upon special issues raised by the written pleadings and the evidence in the case, except that, for good cause subject to review or on agreement of the parties, the court may submit the same on a general charge. Such special issues shall be submitted distinctly and separately and each issue shall be answered by the jury separately, provided that, if it be deemed advisable, the court may submit disjunctively in the same question two inconsistent issues where it is apparent from the evidence that one or the other of the conditions or facts inquired about necessarily exists. For example, the court may, in a workmen's compensation case, submit in one question whether the injured employee was permanently or only temporarily disabled. Where practicable, all issues should be submitted in the affirmative and in plain and simple language.

It is proper to so frame the issue as to place the burden of proof thereon, but where, in the opinion of the court, this cannot be done without complicating the form of the issues, the burden of proof on such issue may be placed by a separate instruction thereon. In submitting special issues the court shall submit such explanatory instructions and such definitions of legal terms as shall be necessary to enable the jury to properly pass upon and render a verdict on such issues, and in such instances the charge shall not be subject to the objection that it is a general charge. If the nature of the suit is such that it cannot be determined on the submission of special issues, the court may refuse the request to do so, but the action of the court in refusing may be reviewed on proper exception in the appellate court, and this rule shall be construed in connection with the succeeding rule.

Rule 279. Submission of Issues

When the court submits a case upon special issues, he shall submit the controlling issues made by the written pleadings and the evidence, and, except in trespass to try title, statutory partition proceedings and other special proceedings in which the pleadings are specially defined by statutes or procedural rules, a party shall not be entitled to an affirmative submission of any issue in his behalf where such issue is raised only by a general denial and not by an affirmative written pleading on his part. Nothing herein shall change the burden of proof from what it would have been under a gen-

eral denial. Where the court has fairly submitted the controlling issues raised by such pleadings and the evidence, the case shall not be reversed because of the failure to submit other and various phases or different shades of the same issue. Failure to submit an issue shall not be deemed a ground for reversal of the judgment, unless its submission, in substantially correct wording, has been requested in writing and tendered by the party complaining of the judgment; provided, however, that objection to such failure shall suffice in such respect if the issue is one relied upon by the opposing party. Failure to submit a definition or explanatory instruction shall not be deemed a ground for reversal of the judgment unless a substantially correct definition or explanatory instruction has been requested in writing and tendered by the party complaining of the judgment.

Upon appeal all independent grounds of recovery or of defense not conclusively established under the evidence and upon which no issue is given or requested shall be deemed as waived; but where such ground of recovery or of defense consists of more than one issue, if one or more of the issues necessary to sustain such ground of recovery or of defense, and necessarily referable thereto, are submitted to and answered by the jury, and one or more of such issues are omitted, without such request, or objection, and there is evidence to support a finding thereon, the trial court, at the request of either party, may after notice and hearing and at any time before the judgment is rendered, make

and file written findings on such omitted issue or issues in support of the judgment, but if no such written findings are made, such omitted issue or issues shall be deemed as found by the court in such manner as to support the judgment. A claim that the evidence was insufficient to warrant the submission of any issue may be made for the first time after verdict, regardless of whether the submission of such issue was requested by the complaining party.

Rule 301. Judgments

The judgment of the court shall conform to the pleadings, the nature of the case proved and the verdict, if any, and shall be so framed as to give the party all the relief to which he may be entitled either in law or equity. Provided, that upon motion and reasonable notice the court may render judgment non obstante veredicto if a directed verdict would have been proper, and provided further that the court may, upon like motion and notice, disregard any Special Issue Jury Finding that has no support in the evidence. Only one final judgment shall be rendered in any cause except where it is otherwise specially provided by law. Judgment may, in a proper case, be given for or against one or more of several plaintiffs, and for or against one or more of several defendants or intervenors.

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Nov. 12 1958
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No. 442

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1958

HYDE CORPORATION, *Petitioner*

v.

JAMES DONLE HUFFINES, *Respondent*

ON PETITION FOR WRIT OF CERTIORARI TO THE SUPREME COURT OF TEXAS

BRIEF FOR RESPONDENT IN OPPOSITION

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OPINIONS BELOW

The opinion of the Court of Civil Appeals is reported at 303 S. W. 2d 865. The opinion of the Texas Supreme Court is reported at 314 S. W. 2d 763.

JURISDICTION

We do not think there is any ground on which the jurisdiction of this Honorable Court can be invoked.

QUESTIONS PRESENTED

1. Whether the jurisdiction of the state court in a "trade secret" case — where the state court admittedly has jurisdiction of the parties and the subject

matter at the outset — is destroyed by issuance of a patent during the course of the trial.

2. Whether this Honorable Court will entertain a petition for writ of certiorari asserting denial of due process and equal protection of the law by reason of the rulings on procedural questions by the trial court, the Court of Civil Appeals, and the Texas Supreme Court, where the question of denial of due process and equal protection of the law is raised for the first time in the Second Motion for Rehearing in the Texas Supreme Court.

3. Whether this Honorable Court will review the rulings of the trial court, the Court of Civil Appeals, and the Texas Supreme Court on matters simply of procedure in the state courts.

FIRST QUESTION

The first question presented is an extremely narrow question on a set of facts not likely to recur, i. e., whether the issuance of a patent during the course of the trial of a "trade secret" case in the state court destroys the jurisdiction of the state court.

Respondent is the inventor of a refuse compressor mechanism, a device mounted on a truck and widely used by municipalities in collecting trash and garbage, and Petitioner is the corporation to which Respondent gave an exclusive license to manufacture and sell such device prior to issuance of a patent on the invention. Respondent is a resident of the State of Texas, and Petitioner is a Texas corporation, and, since a patent

was not granted until after the case had gone to trial, it would have been impossible under any form of pleadings for Respondent to obtain jurisdiction in the Federal Court.

In his petition in the state court, Respondent alleged that Petitioner had repudiated the license agreement, and the relief sought by Respondent was a money judgment for unpaid royalties, and declaratory judgment relief determining that the license agreement had been terminated and that Petitioner no longer had any claim or right in the invention in question and that Respondent was the sole owner of such invention and all rights therein and any patent which might issue on such invention. Respondent prayed for a permanent injunction against Petitioner on the basis of the well established common law doctrine of "trade secrets" or "breach of confidential relationship".

The common law doctrine pursuant to which equity courts grant injunctive relief to inventors against a person or company taking advantage of the inventor's confidential disclosure of his invention prior to issuance of a patent — commonly known as the law of "trade secrets" or "breach of confidential relationship" — clearly involves only state law and not a Federal question. **Franke v. Wiltschek**, 209 F. 2d 493 (2d Cir. 1953); **Smith v. Dravo Corp.**, 203 F. 2d 369 (7th Cir. 1953).

The trial court entered a decree enjoining Petitioner from manufacturing or selling any device made in accordance with Respondent's invention. The

foundation for this injunction was clearly the common law doctrine of "trade secrets" based on evidence that Petitioner had obtained a disclosure of Respondent's invention in the course of negotiations for a business arrangement and had thereafter misappropriated Respondent's invention in breach of the confidence reposed by Respondent in Petitioner in making full disclosure of his invention prior to issuance of a patent. This state law doctrine of "trade secrets" has become so firmly established as a doctrine of equity jurisprudence that there is no need to labor the point. The opinion of the Texas Supreme Court reported at 314 S. W. 2d 763 thoroughly discusses the law on this subject. The injunction issued by the trial court satisfied the requirement of certainty in scope and application by enjoining Petitioner from manufacturing or selling any device made in accordance with the disclosure by Respondent to Petitioner, and this disclosure was spelled out in terms of the claims set forth in Respondent's original patent application and the somewhat narrower claims set forth in his patent as finally issued. The Texas Supreme Court, in its opinion at 314 S. W. 2d 763, 777, holds that this was the proper form of the decree to define the features of Respondent's device which should be protected by injunction as so-called "trade secrets". Clearly an inventor who has had his invention misappropriated through breach of confidential relationship is entitled to the same scope of injunctive relief as he would be in a patent infringement suit. **A. O. Smith Corporation v. Petroleum Iron Works Co. of Ohio,** 73 F. 2d 531 (6th Cir. 1934), modified 74 F. 2d 934.

Frankly, we are unable to follow Petitioner's argument that the state court was ousted of jurisdiction upon issuance of a patent during the course of the trial. Clearly, the state court had jurisdiction of the parties and the subject matter before the patent was issued. Just as clearly, the Federal Court would not have had jurisdiction prior to issuance of a patent. To reach the conclusion urged by Petitioner, it must be decided that the state courts have no jurisdiction over controversies between their own citizens based on state common law and state remedies if a patent may be introduced in evidence on any issue. When thus clearly stated, the proposition advanced by Petitioner is almost frivolous.

Long prior to, and in many cases since the landmark case of **Pratt v. Paris Gas Light & Coke Company**, 168 U. S. 255 (1897), this Honorable Court has held that the state courts clearly have jurisdiction to determine "patent questions" as distinguished from "patent cases". The leading case applying this principle where the foundation of the case was the doctrine of "trade secrets" is **Becher v. Contoure Laboratories, Incorporated**, 279 U. S. 388 (1929), in which this Honorable Court, speaking through Mr. Justice Holmes held that the state court of New York had jurisdiction to determine that a patent was invalid because obtained by an ex-employee through breach of confidential relationship. In that case, Becher was employed as a machinist to construct a machine invented by Oppenheimer, and after learning the secrets of the invention, Becher applied for and obtained a patent on the invention without the knowledge of the

real inventor. Thereupon the true inventor brought suit in the state court in New York and obtained a judgment requiring Becher to assign the patent and permanently enjoining him from using, manufacturing, or selling any machine made in accordance with the patent. Thereafter Becher brought suit in the Federal district court setting up his patent and claiming infringement of it and denying the jurisdiction of the state court to enter its decree, inasmuch as the effect of such decree would be to hold Becher's patent invalid. This Honorable Court held that the state court had jurisdiction and that its judgment was a bar to Becher's patent infringement claims in the Federal Court.

Even if a patent had already been issued to Respondent before institution of this suit, he nevertheless could have obtained jurisdiction in the state court by bringing his suit to adjudicate termination of the license agreement and to establish his right to injunctive relief on the basis of breach of confidential relationship. In other words, the question of whether the jurisdiction of the state court is properly invoked is not dependent upon the existence of a patent, but depends upon whether Plaintiff bases his case on patent infringement or on some state law doctrine such as the doctrine of "trade secrets". **Luckett v. Delpark, Inc.**, 270 U. S. 496 (1926). The **Luckett** case was the converse of **Pratt v. Paris Gas Light & Coke Company, supra**, and holds that the Federal Court did not have jurisdiction where plaintiff based his case on a license agreement with defendant, notwithstanding the fact that plaintiff also set up his patents and asked for an injunction for patent infringement.

SECOND QUESTION

The second question presented is whether this Honorable Court will entertain a petition for writ of certiorari where the alleged Federal question was raised for the first time in the Second Motion for Rehearing in the Texas Supreme Court. Even if there were some substance to Petitioner's point as to denial of due process and equal protection of the law, we think that point was abandoned by failure to timely raise the point in the state courts.

This Honorable Court will not review a Federal constitutional question where it is raised for the first time on motion for rehearing in the state supreme court. **American Surety Co. v. Baldwin,** 287 U. S. 156 (1932); **Godchaux Co. v. Estopinal,** 251 U. S. 179 (1919); **Radio Station WOW, Inc. v. Johnson,** 326 U. S. 120 (1945); **Herndon v. Georgia,** 295 U. S. 441 (1935).

Petitioner attempts to avoid the compelling effect of these cases by taking the position that it could not anticipate the ruling of the Texas Supreme Court and had no opportunity to raise the question until its second motion for rehearing. Such position cannot stand in view of the fact that every state court, from the trial court to the Court of Civil Appeals to the Texas Supreme Court, had uniformly ruled the same way against Petitioner on each of the points questioned.

THIRD QUESTION

The third question presented is whether this Honorable Court will review matters strictly of state

court procedure. It has been established from the earliest times that the United States Supreme Court will not review matters of state court procedure. **Iowa Central Railway Company v. Iowa,** 160 U. S. 389 (1896); **Louisville and Nashville Railroad Company v. Schmidt,** 177 U. S. 230 (1900); **Hooker v. Los Angeles,** 188 U. S. 314 (1903); **Cincinnati Street Railway Company v. Snell,** 193 U. S. 30 (1904); **Gasquet v. Lapeyre,** 242 U. S. 367 (1917).

CONCLUSION

For the foregoing reasons, it is respectfully submitted that this petition for writ of certiorari should be denied.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I, Ogden K. Shannon, Jr., a licensed attorney admitted to practice before the United States Supreme Court, hereby certify that a true copy of the foregoing Brief for Respondent in opposition to petition for writ of certiorari was served upon T. S. Christopher of Christopher & Bailey, 807 Continental Life Building, Fort Worth, Texas, by depositing a true copy thereof in the United States mail, postage prepaid, on the _____day of November, 1958.

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Ogden K. Shannon, Jr.